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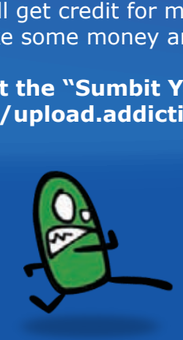

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# About the Cover

*Schizoid* is a downloadable action game from Torpex Games, a developer in Bellevue, Washington. They call *Schizoid* "the most co-op game ever." *Schizoid* is the first game to be released on Xbox Live Arcade that was developed with Microsoft's *XNA Game Studio* technology. (For more about *Schizoid*, see Bill Dugan's article on page 23.)

*Schizoid* has an opposing-color theme in which the blue player can beat blue creatures but is vulnerable to red creatures, and the red player can beat red creatures but is vulnerable to blue creatures. The result is a new kind of co-op game-play in which both players work closely as a team to defend each other as they advance through 120 game levels. Accompanying this simple game-play is the purity of simple controls: The player uses only one thumbstick (and no buttons) to move around. The depth of the game is not in the player mastering intricate controls, but in the player's response to different numbers and combinations of creature types and level layouts.

Jamie Fristrom, Torpex's technical director, used the code name "Gemini" for the game as it was early in development, and his programmer-art reflected this, with different zodiac symbols portraying the different characters in the game. Artist James Chao was inspired by the idea of the zodiac symbols as constellations; he took Jamie's placeholder art using the Scorpio symbol and created in its place a large, glowing, animated, symbolic-yet-organic-looking scorpion outline (depicted on the cover). He proceeded to use the glowing-lines theme to create *Schizoid*'s other outlined, abstract game characters, like the Starburster and the Astramoeba.

Torpex Games may be reached at s-torpex@casualconnect.org.

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# Letter from the Director

## The International World of Casual Games

Here we are in Amsterdam for our third year. Who would have ever imagined that in three short years we would have already grown so large—it seems everyone is talking about casual games. For those of us who were here in Year One, the growth of our association is nothing short of amazing.

We have truly become an international industry: our development occurs all over the map, with hotbeds in Eastern and Western Europe, in Russia, and in South and North America. That internationalization of the industry did not happen merely by chance. On the contrary, as an industry we have focused since the very beginning on creating this global industry we now enjoy.

Which perhaps begs the question: Why is internationalization important for the success and health of our industry? I can think of several good reasons:

1. Since electrons are easy to move around, it is really easy for us to reach customers all across the globe. With this great opportunity comes a small complication which must be addressed flawlessly: understanding of the local market. I would guess that three years ago most of us (including myself) didn't truly understand the importance of taking into account the differences in the local market. Localization is more than just getting the right translations—it is about creating a game that appeals to a culture through language, art, and themes.
2. Different cultures and regions have come to excel in different ways. This is one phenomenon that never fails to amaze us—the differences in focus that seem to appear almost spontaneously when we meet with industry members throughout the world. That multiplicity of talents is a sign of great promise for our industry, especially as we learn to better take advantage of our individual strengths.
3. New ideas flow from the meeting of minds with different backgrounds. Think of the various business models and design elements we have come to take for granted and the wide range of continents from which they sprang: micro-transactions (Asia & Russia), trial-to-purchase (North America), mobile (Asia & Europe), Wii (Asia), DS (Asia), Xbox (North America), Solitaire (Europe), Mahjong (Asia). None of our business models would be complete without influence from other cultures.
4. Interaction helps to broaden our perspective—which in turn leads to greater stability. The marked differences in the market dynamics in different regions of the world enable us all to watch, learn, and modify without the risk that might otherwise be associated with trying something new. For example, sitting comfortably in North America one may have never conceived of the micro-payment business model. Seeing it flourish elsewhere, North American developers and publishers can't help but wonder how they might adapt that approach to their market as well.
5. Working together, across borders and oceans and many, many time zones, makes us better global citizens. Face-to-face contact and collaboration go a long way toward dispelling prejudice and ethnocentricity.

While we have made much progress, we still have quite a way to go. But as we learn to accept other cultures and work as one big team, the barriers will continue to fall. I'm convinced, in fact, that our industry is uniquely positioned to succeed precisely because our cultural differences tend to enrich rather than divide us.

Ultimately we speak the common language of play. Fun knows no borders.

Jessica

Jessica Tams

> Ultimately we speak the common language of play. Fun knows no borders.

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Co-Founder, Jenkat Games

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– Mikael Makila
Founder & CEO, GameOn

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# Hello, Hamburg!

## *Casual Connect Europe* Moves on to Germany

After three years in Amsterdam, *Casual Connect Europe* will be holding a conference in Hamburg, Germany. The move comes with many mixed feelings for us as we will always associate Amsterdam with the beginnings of the Casual Games Association.

We love Amsterdam. The locals have always made us feel welcome, and the sites for our conferences have consistently been top-notch. This year, however, we will hold our conference in the largest venue in the center of Amsterdam—and we will still be filled to overflowing. Even so, since we held the first *Casual Connect* conference (then known as *Casuality*) in 2006 we have come to realize that, as long as the city is accessible and the locals are friendly, the people who attend our conferences are what really matter.

Hamburg is Germany's foremost media and IT industry location with a workforce of more than 110,000. For over ten years now, companies from throughout the media, IT, and telecommunications industry have received special support from the city-state of Hamburg through the special public-private partnership Hamburg@work, which is supported by the Ministry for Economic and Labor Affairs.

Through their gamecity:Hamburg initiative, Hamburg@work has provided considerable support to the 150 local gaming industry companies and has even provided logistical support and office space for the Casual Games Association staff while in Europe. In preparation for the move, Hamburg@work's Uwe Jens Neumann and his team have attended the Seattle and Kyiv *Casual Connect* conferences and will be available at *Casual Connect Europe* in Amsterdam to meet with CGA members who have any questions about Hamburg.

In addition to their support of the CGA, gamecity:Hamburg will also offer services to Casual Games Association members in order to make cooperation with Europe through Hamburg as seamless as possible.

Services available*:

1. **gamecity:Port**—Sixteen affordable offices in the St. Pauli district available for lease.
2. **gamecity:Funding**—Up to €100,000 in seed money is available as an interest-free loan for Hamburg-based entrepreneurs to assist them in producing commercially viable prototypes which can be used to secure funding from publishers.

As if that weren't enough, there is this unexpected bonus: Generally speaking, flights from the U.S. to Hamburg tend to run several hundred dollars less than flights from the U.S. to Amsterdam.

You're going to love Hamburg. We already do.

*For more information about Hamburg@work and gamecity:Hamburg, please contact: Stefan Klein (telephone: +49 40 22 70 19–41; email: Stefan.Klein@hwf-hamburg.de).*

| | Population | Founded | Conference Attendance 2007 | Average Temp at time of Conference |
|---|---|---|---|---|
| Seattle *Summer* | 0.5 million | The first permanent European Settlement was in 1851. The city was named Seattle after a chief of a neighboring indigenous tribe. | 1350 | 75° F, 24° C |
| Hamburg *Winter* | 1.7 million | The city takes its name from the first permanent building on the site, a castle built in 808 AD to provide defense against Slavic incursion. | 862 (Amsterdam) | 38° F, 3° C |
| Kyiv *Fall* | 2.7 million | The city is believed to have been founded in the 5th century as a trading post in the land of Early East Slavs. | 520 | 54° F, 12° C |

Hamburg is located in Northern Germany. It is the second largest port city in Europe with extensive areas of water and parkland.

** The CGA does not guarantee the services of Hamburg@work.*

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# Meanwhile, in Kyiv . . .

## What They're Saying about Casual Games in Russia

*We love holding conferences in Kyiv. Not only is the food in Kyiv excellent, but the attendees are full of fire and enthusiasm. It's always exhilarating to get together there. Although it was attended primarily by people from Russia and the Ukraine, we also had over 75 people from North America in attendance at our last conference in Kyiv.*

*Casual games have a distinguished history in Russia, beginning with the 1984 release of Tetris, the #1 selling casual game of all time. Since then, many of the most popular casual games—including* Magic Ball, Mystery Case Files, *and* Cake Mania*—have passed through the hands of Russian developers on their way to market. Recent acquisitions by Oberon Media, Arkadium, and MumboJumbo merely confirm what many of us already know: Eastern Europe and Russia are producing many talented casual game developers.*

*To give everyone a bit of insight into how the local community has received the casual games industry, we are reprinting here a translation of an article that recently appeared in DTF, the largest online publication in Russia. —ed.*

Alex Ptitca

> "Casual games made in the countries of the former USSR and the bordering Eastern European countries are becoming more and more remarkable."

**Игровая индустрия за неделю: 15–21 октября 2007 года**

Привет всем читателям самого игроиндустриального ресурса Рунета, особенно той части, с которой ваш покорный слуга имел удовольствие общаться в Киеве на международной конференции Casual Connect: Киев 2007. Начнем сегодняшнюю колонку как раз с этой темы.

Итак, год назад Casual Games Association, принимая во внимание тот факт, что на казуальной сцене все громче проявляют себя игры, сделанные на просторах бывшего СССР и прилегающих странах Восточной Европы, приняла решение к двум уже существующим конференциям - в Сиэттле и Амстердаме - добавить еще одну. Местом проведения по многим причинам был выбран Киев. Как в этот раз признались сами организаторы, год назад они побаивались, что мероприятие не соберет достаточного количества участников, но их опасения оказались напрасными, поскольку на Casuality 2006 (так тогда назывался эта конференция, читайте, кстати, наш подробный репортаж о ней) приехало около 300 человек.

Нынче "посещаемость" выросла почти вдвое, кроме того усилилось, внимание к конференции со стороны зарубежных "китов" казуальной индустрии. На Casual Connect: Киев 2007 присутствовали представители от всех лидеров этого рынка (как зарубежного, так и отечественного) - Oberon Media, Real, Mumbo Jumbo, BigFish, PopCap, iWin, Reflexive, Alawar, Absolutist, IT-Territory, Nevosoft, CTXM и многие другие (прошу прощения у тех, чью компанию я не назвал).

Говоря об организации, нельзя не отметить, что ее уровень существенно повысился (во многом благодаря грамотному использованию возможностей нового места проведения - президент-отеля "Киевский"). За три дня работы было проведено несколько десятков лекций и семинаров, причем впервые они шли в два потока. Возможностей для

THE GAME INDUSTRY WEEKLY: October 15-21, 2007

Regards to all the readers of the most "gameindustrious" resource of the RU-net, especially to that part of you whom your humble servant had pleasure to meet at the international conference *Casual Connect Kyiv 2007*. Let's start the current column right from this topic.

Due to the fact that casual games made in the countries of the former USSR and the bordering Eastern European countries are becoming more and more remarkable, a year ago the Casual Games Association decided to add one more conference to their existing ones in Seattle and Amsterdam. For many reasons Kyiv was selected as its venue. The organizers confessed that a year ago they were a bit afraid that the event would not attract enough participants, but their concerns proved to be groundless as there were over 300 people at *Casuality 2006* (as the event was called at that time— see details on that at http://www.dtf.ru/articles/read.php?id=43732).

This year the attendance grew almost two times; moreover, the attention of the foreign casual industry's "high and mighties" has intensified. All the leaders of this market (foreign and domestic)—Oberon Media, RealNetworks, MumboJumbo, Big Fish Games, PopCap Games, iWin, Reflexive, Alawar, Absolutist, IT-Territory, Nevosoft, CTXM and a lot of others (my apologies to those whom I have failed to mention)—were present at *Casual Connect Kyiv 2007*.

Speaking of the organization of the conference, it is necessary to mention that its quality has significantly increased (in many respects due to the capable use of the venue facilities—President Hotel Kyivsky). During three days of the conference there were several dozens of lectures and workshops conducted; moreover, for the first time they were split in two tracks. There were plenty of opportunities for developers to communicate with potential distributors and publishers.

# Meanwhile, in Kyiv . . .

## What They're Saying about Casual Games in Russia

общения разработчиков с потенциальными издателями и дистрибьюторами хватало.

Интересно, что среди людей, которых можно было встретить на конференции, были замечены персоны, вроде бы и не имеющие прямого отношения к казуальным играм, но их присутствие о чем-то да говорит - представители “Приват-банка”, “Яндекс-Деньги”, РБК. Да и люди, работающие в индустрии “больших” игр почтили мероприятие своим присутствием - о КранКе и “гайдзинах” я не говорю, потому как они у нас в этом смысле “многостаночники”, а вот Игорь Карев (Action Forms) или Джордж Бэйн, менеджер по поддержке девелоперов из Sony Computer Entertainment Europe - это уже что-то.

Нельзя не упомянуть и о всегда заметной фигуре Ричарда “Левелорда” Грея, который нынче вместе со своими коллегами из Ritual трудится на благо казуала в компании Mumbo Jumbo. Кстати, в только что вышедшей Luxor 3 есть доля и его труда. Когда я спросил Левелорда, чем он занимается в новой компании, ответ оказался вполне ожидаемым - “делаю уровни, рисую арт и немножко программлю”. Кстати, вот еще один показательный факт, связанный с Mumbo Jumbo. Вице-президент компании по развитию бизнеса Майк Суарез (Mike Suarez) прежде занимал аналогичную должность не где-нибудь, а в Rockstar Games. По его словам, команда Ritual поможет существенно повысить production value продуктов от Mumbo Jumbo.

Безусловно, самой яркой звездой и приманкой для представителей СМИ стал Джейсон Капалка (PopCap). Если кто-то запамятовал, напомню некоторые тайтлы, к которым он имеет самое непосредственное отношение: Bejeweled, Bookworm, Zuma, Chuzzle, Peggle. Вопросы есть?

Судя по всему, у Джейсона не было ни минутки свободного времени. Несколько раз он появлялся “на людях” - соло с докладом “Держи карман шире. Случайность и удача в казуальных играх”, в дуэте с Анатолием Ропотовым (CTXM) с рассказом об особенностях Xbox Live Arcade, в качестве председателя жюри конкурса Innovate 2007, организованного IT-Territory, и, наконец, среди лиц, отвечавших на вопросы журналистов в процессе пресс-конференции.

Понятное дело, что Джейсон - человек в первую очередь творческий (не зря его должность звучит - креативный директор PopCap Games), но киевская конференция привлекла многих персон, главным полем деятельности которых является именно бизнес - и в этом, несомненно, очень большой плюс.

Думаю, что если бы не было прошлогоднего первого мероприятия, то сегодня мы бы не стали свидетелями столь мощного проникновения “столпов” международной казуальной индустрии на постсоветское пространство.

Прежде всего, отметим громоий анонс Oberon Media о приобретении двух студий - Kenjtsu, питерского подразделения

It is interesting to note that among the people one could meet at the conference were those who are not really directly related to casual games, but at the same time their presence surely means something, including representatives of PrivatBank, Yandex Money, and РБК. *[PrivatBank is the #1 ranked Ukrainian bank and part of a huge industrial/financial holding company;* РБК *(RosBusinessConsulting) is a huge Russian information agency.—ed.]* By the way, people who are working in the industry of enthusiast core games also visited the event—and I do not mean just КранК and Gaijins because in this regard they are like workmen operating several machines simultaneously with many operations across the gaming industry—but Igor Karev (Action Forms) and George Bain (Developers Support Manager from Sony Computer Entertainment Europe) are worth to be mentioned here.

One must also mention the always noticeable figure of Richard “Levelord” Gray, who is now working on casual games with his colleagues from Ritual on behalf of MumboJumbo. By the way, he contributed to the just-released *Luxor 3*. Levelord’s answer to the question about his duties in the company was quite expected: “I create the levels, draw art, and do some programming.” Speaking of MumboJumbo: Some time ago the company’s VP of Business Development, Michael Suarez, held the same position at Rockstar Games. According to him, the Ritual team will significantly improve the production value of MumboJumbo’s products.

Undoubtedly, Jason Kapalka (PopCap Games) was the brightest star and lure for members of the media. For those who may have forgotten, I will remind you of some of the titles with which he has been directly involved: *Bejeweled, Bookworm, Zuma, Chuzzle, Peggle.* Any questions?

It appeared as if Jason did not have a single minute to spare. He made several public appearances: presenting the report “Fat chance: Randomness and luck in casual games” along with Anatoly Ropotov (CTXM); presenting the story about the peculiarities of Xbox Live Arcade; playing the role of Lead Judge for the Innovate 2007 competition, organized by IT-Territory; and finally appearing among the people and answering journalists’ questions during a press conference.

It is clear that in the first place Jason is a creative person (and it is not a coincidence that his position is called Creative Director of PopCap Games), but Kyiv conference attracted a lot of people mainly engaged in the business field—and there is a great plus in this.

I think if the last year’s first event hadn’t taken place, then today we would not have become witnesses of such a powerful invasion of the international casual games industry “pillars” to the countries of the former USSR.

First of all, let’s mention the noticeable announcement about Oberon Media acquiring two studios—Kenjtsu, St. Petersburg’s subdivision of Nikitova Games, and Ukrainian Friends Games

Nikitova Games и украинской Friends Games из Ровенской области. Топ-менеджеры названных компаний влились в руководство Oberon: на Ольгу Никитову возлагаются обязанности вице-президента Oberon по онлайновому паблишингу в Восточной Европе, а на новой, “обероновской” визитке Тараса Тарасова (CEO Friends Games) тепер значится “Director, Developer Relations Europe”.

Но и это еще не все. Напомним, что не так давно Mumbo Jumbo приобрела команду Hot Lava из Владивостока, а у компании Sandlot есть подразделение в Санкт-Петербурге. В Киеве вскоре откроется представительство iWin, а в Сиферополе уже работает офис компании Arkadium. Есть все основания полагать, что процесс консолидации в ближайшее время еще более активизируется, и не последнюю роль в этом сыграет прошедшая в Киеве конференция.

Завершая краткий рассказ о Casual Connect: Киев 2007, не могу не помянуть добрым словом организаторов этого приятно-полезного действа - Casual Games Association во главе с Джессикой Тамз (Jessica Tams), днепропетровскую компанию Absolutist и т.н. “советников” в лице Alawar Entertainment, CTXM и Friends Games (наверное, сейчас последнюю лучше было бы назвать Oberon Ukraine).

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На этом разрешите попрощаться с вами до новых встреч.

Искренне Ваш,

ГаММеР

from Rivne region. Top-managers of the mentioned companies joined Oberon’s management: Olga Nikitova holds the position of VP Online Publishing in Eastern Europe, and the new Oberon business card of Taras Tarasov (CEO Friends Games) says “Director, Developer Relations Europe.”

And still there is more to tell. May I remind you that MumboJumbo recently acquired Vladivostok’s team Hot Lava, and Sandlot has a subdivision in St. Petersburg. An office of iWin will be opened in Kyiv soon, and an office of Arkadium is already operating in Simferopol. There are reasons to think that the consolidation process will become more active in the near future, and that the Kyiv conference will contribute to this significantly.

Bringing this brief story of *Casual Connect Kyiv 2007* to an end, I cannot help but mention the organizers this pleasant and useful event: The Casual Games Association, headed by Jessica Tams; the Dnepropetrovsk-based company Absolutist; and advisors of the CGA such as Alawar Entertainment, CTXM, and Friends Games (the last of which should be probably called Oberon Ukraine by now).

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At this point, let me say goodbye to you all until our next meeting.

Sincerely yours,

GaMMeR (Alex Ptitca)

eidos
Getting Serious About Casual Games
Eidos, including Morpheme Game Studios, Gimme5Games, Eidos Mobile and Bluefish Media, has extensive expertise across the gaming sphere. As one of the world's leading developers and publishers of video games, we have proven experience of taking valuable IP to new and wider markets and understand the diversity of a global market.
The Eidos team can offer a full and unique solution for your casual gaming projects, so if you would like to meet a serious partner in the Casual Games business please contact:
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- Content Aggregation & Online Distribution – Cyrus Kargar: kargar@bluefish-media.com
- Online Publishing, Content Acquisitions including mobile – Paul O'Sullivan: paulos@eidos.co.uk
- Web Games Publishing & Distribution – Matt Spall: matts@eidos.co.uk
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# The Rules of Casual Game Development

## Five Simple Guidelines That (Almost) Guarantee Success

Jake Simpson

Although the gaming industry may have started with casual games, the core of the industry (and many of its most intellectual developers) walked away from casual games many years ago, enticed by the style and multi-million dollar budgets of games built for true gaming enthusiasts. And yet in spite of all they have going for them—experienced developers, huge budgets, high production values, sophisticated game mechanics, excellent sound quality, exceptional graphics—core games are not always *good* games. Perhaps you've noticed.

I certainly have. I spent several years creating games for enthusiasts, including games in the *Heretic, Soldier of Fortune, Star Trek* series, along with some of the *Golden Age* Midway Arcade Games. I also worked on *The Sims* which appeals to demographics very similar to casual games. As a result of that odyssey, and my recent observations of the casual games space, I have developed a few rules for casual games that I think are worth following. They aren't exhaustive (and they definitely don't guarantee success), but following them will put you in a better position to succeed.

### 1. The Fewer Clicks the Better

It's always a good idea to get people into the game-play as soon as possible. That means you should get things started quickly, with a minimum number of clicks.

> Remind yourself that people want to play, not watch. That's why they're called players.

For *Quake III*, id Software wanted players to be just three clicks away from playing the game. Even if you have many screens of text for players to wade through before getting into the game, enable them to click past those screens instantly. The same principle applies to cinematics. They may satisfy the inner movie maker in you, but they are unnecessary—especially to the casual gamer. Make it easy for people to skip right over them. Likewise you should minimize interruptions from pop-ups. Any unnecessary interruption of play is an annoyance.

Remind yourself that people want to play, not watch. That's why they're called players.

### 2. Introduce Complexity Slowly

It's OK for your game mechanic to be complex. It can have lots of effectors (power-ups or stuff that changes how you play). But do not include any of them on the first few levels. When people are just becoming familiar with your game, you want to pare down game-play to the barest essentials—leaving out anything that isn't absolutely necessary. You should think of it this way: In the early stages, you are literally training people to play your game. Introduce abilities or mechanic effectors slowly, one by one, and get people used to them before you add more.

### 3. Make People Instantly Successful

If there is any secret to making casual games, its this one: The first few levels should be achievable by a brain-dead moron. The whole idea is to entice people with instant success and the feeling of power, and then very slowly turn the screws, doing so only after you know the player has mastered the basics.

Don't ever forget that the success of your game depends on your ability to make successful even those people who can't figure out how to send email.

### 4. Test It Before You Release It

Prior to sending your game off (even to the publisher), put it in the hands of unschooled strangers and see how it performs. Think of it as a "Kleenex" test: Use people once and never again. The idea is to let your actual target audience try the game and tell you what they think. And when they tell you, LISTEN. Never dismiss them by saying: "Well, they just don't know how to play it" or "They just don't get it." The fact is that if you don't do something about their complaints, your game is almost surely destined for failure. User testing should be front and center in your design process. Listen to your users as if they were Angels from God.

### 5. Keep It Simple

Ideally, someone should be able to watch a friend playing your game and pretty much understand how to play it. New players shouldn't have to practice or rely on multiple pop-ups or explanation screens in order to figure it out. If you don't have a root mechanic that can be communicated via a YouTube video, then there's something wrong.

In fact, it's a good idea to record and watch a video of your game to see if it is obvious what is going on. You might try showing that video to a couple of your Kleenex testers and see if they catch on quickly.

If first-time players cannot determine game-play mechanics immediately, or if something basic isn't clear and obvious, they will simply stop playing. Which, by the way, isn't good.

Jake Simpson is an opinionated software developer and game designer who has been around the block more than once—and is still running. Jake can be reached at jake.simpson@casualconnect.org.

# How to Become and Stay Market Leader

Five years ago Boris Wasmuth, Kai Bolik, and Michael Kalkowski founded GameDuell in Berlin. Today GameDuell is Germany's largest games community. Users can play a wide range of skillgames against each other and win real money. We interviewed the three founders about the ups and downs of getting to the top and what trends they see for the casual games market in 2008.

### Is GameDuell different than other gaming sites?

Kai Bolik: On GameDuell you always play against real people and you can win real money. This makes it more thrilling. We already agreed on this vision in the founding days: We wanted to build the best games community on the Internet. Millions of members should use our platform every day and have more fun and excitement than on any other game site.

### Which factors were most important to become market leader in Germany?

Michael Kalkowski: The single most important point is to know and always listen to your users. We are a product-centered company by heart. Better user experience and higher quality games are our key advantage. In game development we spend about 30% on user research and another 30% on polishing. And I can tell you - marketing becomes much easier with a product that users really love.

effort to optimize all business metrics. To get profitable it helped a lot to have a complimentary team of serial entrepreneurs on board. Many founders fail because they do not manage processes like payment and conversion right. In our model those are essential. It's like tuning a radio frequency. You have to set it 100% right to get the full power. We are constantly testing and improving our systems. It really boils down to this: To be number one in the market, you must practice and work like you are number two.

## GameDuell in Numbers

- Founded: 2003
- Userbase: More than 7 million registered members
- Employees and full-time contractors: 75
- Casual games developed internally: 30+
- Funding: Burda Digital Ventures and Holtzbrinck Ventures
- Marketing: > 200 partner sites
- Revenues: Transaction, subscription, sponsoring
- Website: www.gameduell.com
- International: Available in 7 languages
- Contact: partner@gameduell.com

### Was there anything you had to learn the hard way?

Boris Wasmuth: One thing I learned was "don't give up too early". It takes at least 3 years and loads of money and

### What trends do you see for 2008?

Kai Bolik: 2007 was an amazing year. We more than doubled our revenues. This year could become even better. The whole casual games market is growing up. This also means that the big guys will put more focus on it. So competition and pressure will get tougher. In terms of trends I see several: Games widgets on social networking sites will drive traffic. And we will see many mashup applications. Multiplayer games will become even more important. The quality of flash games and applications will increase. Casual games will become a must-have for any mass market online entertainment offer. And in-game advertising will strongly increase.

**„To be number one in the market, you must practice and work like you are number two."**

### What is your strategy for this year?

Boris Wasmuth: 2008 is all about expanding internationally. We have a finetuned business model and marketing processes. Now we are localizing our product for several countries. We are looking for partners, portals, and affiliates who want to make money with us. Please contact us if you want to learn more about partnering.



# Localization

## A Key Element in Successful Casual Games

Localization is often an afterthought in game development, a small issue that needs to be addressed after the game has launched—like creating a special version for a minor portal or fixing a Win ME bug. Overlooking localization, however, is one of the biggest mistakes casual game developers continue to make. We have found that strong localization easily can more than double revenue and, more importantly, can mean the difference between creating a hit or just another top-100 game.

With product in over 30 countries and games translated into 17 languages, we have seen almost everything there is to see in localization and translation of games, and it is not pretty. Literally hundreds of developers and publishers are leaving thousands of yen, euros, dollars, and hryvnia on the table by not spending a little bit more time on localization from the project inception.

### Why Build for Localization?

We can sum up the argument in favor of localization with one word: revenue. By focusing on localization at an early stage, our company now generates more than 60 percent of its revenue outside of North America. But localization is not merely for those hoping to distribute their games outside of the United States; more than 50 percent of casual games have some development done in Western and Eastern Europe (including the former Soviet Union). Although these games are usually in English (of varying levels of quality), they are usually not fully "Americanized"—that is, adapted to the U.S. market.

When the poor quality of the language interrupts the fantasy of a game, the player is less likely to continue playing—and much less likely to buy. That phenomenon is true regardless of the language—which is why it is imperative that the localization makes players feel like they are playing a locally created game, even if it was developed thousands of miles away.

### How to Build for Localization

It is essential to incorporate localization into product development from the very beginning in order to minimize the long-range costs and speed up the overall process. It is much more cost-effective and efficient to localize a game when easy localization is built into the programming as opposed to when an existing title must be reengineered. In our experience, localizing a game as an afterthought often more than triples the cost of localization and delays the releases in other languages by months.

When planning for localization, the goal should be a near simultaneous launch of an English version along with versions in other FIGS languages (French, Italian, German, and Spanish, at a minimum). In our experience, sales may increase 40–50 percent if all localized and U.S. versions are released simultaneously.

There are many key issues to consider when designing for easy localization. To guide those responsible for localization, we have identified the following as crucial to success.

If you are a producer or project lead tasked with overseeing a localization project, this list will help you make sure that your team avoids any potentially costly mistakes.

### Key Localization Issues:

- Avoid hard-coding or embedding localizable elements.
- Keep all of the assets used to create the product (including box art, logos, screenshots, and sales sheets) in one place where they are readily accessible. These assets will be crucial in producing localized versions of the product.
- Record and keep separate files for voice, sound effects and background music.
- For all screens that have bit-mapped text, save two versions: one with the text and one without it.
- Support multiple-byte languages (e.g., Japanese, Mandarin) and avoid engines that do not support these fonts.

Lloyd Melnick & Dimitri Kirin

> "We have found that strong localization easily can more than double revenue."

- Create code that will allow you to add subtitles to your game for smaller markets where dubbing is prohibitively expensive.
- Avoid references to country-specific currency, institutions, and themes.
- Keep an accurate word count on spoken words, text files, and bit-mapped text.
- Make buffers large enough to hold translated text.
- Isolate localizable resources.
- Ensure all symbols and icons convey the same meaning regardless of language.
- Ensure that menu and dialog accelerators are unique.
- Allow users to enter text, accelerators, and shortcut-key combinations using international keyboard layouts.
- Confirm that sorting and case conversion are culturally accurate.
- Ensure that the game responds to changes in the control panel's international/locale settings.
- Ensure that the game works correctly on different types of hardware, particularly on hardware that is sold in the target market.
- Inasmuch as language can affect the length of some .WAV files, note the length of each one in a separate document.
- If recordings are involved, make sure the speakers are from the region of the country with the lowest perceived accents.

# Localization

## A Key Element in Successful Casual Games

- Use animation software that will keep the character's lips moving while the sound file is playing.
- Make a "final script" that reflects what the actors actually said on the video that is used for the product.
- Use extensive scripting, and fastidiously document any changes that are made.
- Have script segments assigned to individual .AVI files.
- Leave extra space in text boxes for "longer" languages (such as German). Get some examples from your translators, as text boxes may often need to double in size to fit translated text.

In addition to developing your game to be easily modified for each territory, it is important to remain open-minded to different business models that may be necessary for different markets. While the trial-to-purchase model is currently the main revenue driver in North America, subscription or micro-transaction models dominate other markets. As a developer, you should plan from the onset for your title to work well with all of these models. Do not solely focus on creating a game that will convert well; also consider the underlying dynamics of these different business models and how they affect the level structure, rewards, incentives and other elements of your game. Also, be open to structuring your distribution agreements to allow different revenue models (for example, do not require a per-unit royalty) and to permit the integration of SDKs with your titles.

> Most of the titles developed by non-native English speakers are poorly localized for the U.S. market.

In addition, there are situations in which you may be contractually obligated to deliver to your distributor assets that were never created (for example, high-resolution, layered, box art for a game that was only released online). In these cases, it would be wise to invest some resources in creating an asset knowledge base that will allow you to create publishing assets that will be culturally acceptable in the country of distribution.

### Working with Foreign Partners

Most development companies—and many publishers—do not have the resources to properly localize their games internally and thus must partner with other companies. By building your game for localization, you are much more likely to find a good partner in most markets. Also, if your game can be localized cost-effectively, those savings will be reflected in the deal terms you receive. The more your partner has to spend to localize, the less your partner can afford to pay you in royalties or advances. A strong localization kit can go a long way in building a strong relationship with your localization partner (see the Sample Localization Kit, opposite, for an idea of what such a kit might include).

If you don't have the capacity to create a fully functional localization kit on your own, offer your partners an outsourcing solution in which you work closely with their programmers and designers and gather as much information as you need to create a localization kit. In any event, it would be cost-effective for your company to split localization tasks into two major parts (for example, translation and implementation) and outsource them separately. Based on our publishing experience, there are no boundaries or limits if you are dealing with a responsive and proactive developer who can assist in these tasks.

At the same time, make sure you are "getting into bed" with the right partners. It is important to have a partner that will use native language speakers, check and double-check the translation, and make the game appropriate for the market. (For example, do not use a Swedish company to create an Italian version of a game since they are unlikely to find the nuances that will make the game successful in the Italian market.) Although it is easy to turn over all the translations to one publisher or portal, before you do so you should make sure that that partner will take all the steps needed to ensure great localizations in every language. In the long run, creating a truly localized version for each market is more important than the few days you may save by not working with multiple localization partners.

### Americanization

With more than 50 percent of casual games developed outside of North America, localizing for the U.S. market should be a top priority for developers, yet few companies actually focus on it. As a publisher, we see hundreds of games monthly, and most of the titles developed by non-native English speakers are poorly localized for the U.S. market. This deficiency manifests itself in three ways. First, the players in our evaluation group are less likely to review the game positively when the language impedes immersion in and enjoyment of the game. Second, if the language requires a significant rework, we must incorporate this cost in the deal terms we offer the developer. Third, and most importantly, poor localization sends the signal to our staff that the developer did not pay great attention to detail and did not devote the effort to the game that we would want in a partner. From talking to peers at other publishers, our analysis is very similar to the way games are viewed throughout the industry.

Language is the first key hurdle; non-US games often include words or phrases that seem strange to American players. By using non-standard nomenclature, the player is often taken out of the game environment and is instead left trying to figure out the story, the goal or the instructions. Although this article is not about how to make a successful casual game, one of the key elements to a successful casual game is grabbing your customers and creating the fantasy that they are part of the game.

### Conclusion

Localization is a key element in successful casual games, but is too often an afterthought. By planning for localization from the outset of a project, you are very likely to significantly increase your sales and overall chance of creating a hit.

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Lloyd Melnick (lloyd.melnick@casualconnect.org), Chief Customer Officer and Co-Founder of Merscom, has been involved with publishing and licensing computer and video games for over 14 years. At Merscom, Melnick has marketed, produced, and published over 150 games for both the casual and core gamer market. He has also arranged strategic relationships with Massive Inc., Adscape, Eyeblaster, Exent, Double Fusion, IGA Worldwide, DISCover, and Scandinavian Games. Melnick has a Bachelor of Arts in Psychology and Political Economy from John Hopkins University and a Masters in Business Administration from Duke University's Fuqua School of Business. He also earned a Master of Arts in European Integration from the University of Limerick in Ireland.

Dimitri Kirin (dimitri.kirin@casualconnect.org) has been involved in localization and translation for over five years. As Localization Manager at Merscom, Dimitri has managed and coordinated the localization of hundreds of titles. Dimitri also designed and implemented Merscom Project, Merscom's proprietary localization management system. With an eight-language interface, Merscom Project allows for the easy localization from virtually any language to any language. He has also arranged strategic relationships with several Russian companies to publish their games in the US, Western Europe, and Japan. Kirin holds Masters degrees in Business Administration and Oriental Linguistics, and is fluent in English, Russian, Polish, and Arabic.

## Sample Localization Kit

| | |
|---|---|
| Overview | |
| Global Software Methodology | A checklist that provides some basic steps that should be taken in the design and development stages to ensure that the product will be easy to localize. |
| Publisher Technical Requirements for Republishing | A form that allows you to communicate to your localization partner the technical requirements you have for creating audio and video files as well as the tools they will need to localize and/or integrate the product. |
| Localization Schedule | Form that lists the deliverables and dates. |
| Republishing Material Checklist—Publisher to Republisher | Checklist for ensuring that you deliver to your republishing partner all of the materials they will need. |
| Republishing Material Checklist—Republisher to Publisher | Checklist for ensuring that the Republisher delivers back to you all of the materials you will need. |
| Promotion Plan Asset Checklist | Checklist of material that should be provided to the Republisher from the Publisher to ensure they can effectively market the product. |
| Packaging/Manufacturing/Promotion Goal Dates | A schedule of when marketing, promotional, and packaging material will be available for the Republisher. Essential for the Republisher's timing and media buys. |
| Script for Republishing | Form that demonstrates how to format your script. |
| Translation Steps | Sample checklist to demonstrate the steps the Republisher will want to follow for translating the program and media resources. |
| Media File Structure | Sample diagram to demonstrate how you want to have the file directory organized for files that will be delivered back to you. |
| Republishing Information Package—Instruction Manual Data | Form that lists the files that will need to be translated to produce the instruction manual/ documentation. |
| Republishing Information Package—Packaging Data | Form that lists the files that will need to be translated to produce the box art and sell sheets. |
| Republishing Information Package—On-Screen Text and Graphics | Form that lists the on-screen text and graphics files that will need to be translated. |
| Republishing Information Package—Audio Republishing | Form that lists the audio files that will need to be translated. |
| Republishing Information Package—Video Republishing | Form that lists the video files that will need to be translated. |

# Pragmatic Design

## Using Logic and Data to Increase Your Chances for Success

George Donovan

At Gogii Games, we have developed a long list of Top Ten games which use pragmatic design strategies. And with over 50 titles and two million units sold, I believe that luck has had very little to do with our success. As much as our designers might hate to acknowledge it, the true keys to our success have been logic and data. In fact, it's impossible to overstate the importance of monitoring consumer trends and independent marketing data to support any game build.

That's why we start every new design project with a clear understanding of our target consumers and their evolving interests—at which point we let the designers take over and create something that is fun and enjoyable (provided that it is on target, of course). That way we keep both sides of our studio happy.

Predicting the viability of any gaming concept is critical. We use a number of resources in analyzing the marketplace and consumers.

> "Although there is no crystal ball, we have found that by keeping on top of the market, we can increase the likelihood of success for all of our titles."

What follows are some of the strategies we have used to create our most popular game titles.

### Monitor the Market

For starters, it's important to monitor casual game sites on a daily or weekly basis. One of the most successful hidden object games still available on the market is *Titanic*, which is good to know if you're considering creating a hidden object game. But remember to study the games that have flopped too. Look to other gaming titles available on alternate media as well. One of Gogii's biggest successes was *Puppy Luv*, which was developed after analyzing the patterns and revenue of *Petz* from Ubisoft and *Nintendogs* from Nintendo.

Some suggested sites for research include:

- www.BigFishgames.com
- www.Realarcade.com
- www.Iwin.com
- www.zone.com
- www.Reflexive.com
- www.pogo.com
- Games.yahoo.com

### Keep Up with Consumer Trends

Review as much data as possible on trends and consumer preferences. Look at movies, television, and magazines. But don't think too literally about the results. Try to think about what made various titles successful and why they might not be successful if launched today. Analyze the top themes of the year in case any of them might translate into a casual game. And consider regional, national, gender, ethnic and language barriers to success. Our latest title, *Escape from the Museum*, was influenced by the movie *Night at the Museum*—which earned over $200 million at the box office.

> "Data never guarantees success; it merely increases the probability of success."

### Choose Your Target

Online you'll find excerpts of research studies and gender polling. Such data can be very helpful in understanding consumer preferences and defining your target customer. For example, based on such data, we have made the strategic decision to design strictly for women. Although I dislike restricting our consumer base to that extent, it has made the most business sense for us.

Think about what made various titles successful.

### Make Time to Know

Don't waste time building a game for yourself! Knowing your customers and their interests is vital to capturing their attention. Even with a massive marketing budget you can end up with low sales if you fail to properly target your customer. On the other hand, the right mechanic can sell without all the bells and whistles. Take *Sudoku* for example. Although it is a simple game concept, it is highly rewarding and addictive.

Even with the right research, you still need to deliver a strong product that is fun and is properly packaged. *The Office* is a great license from MumboJumbo, but it has not performed well with online audiences. Nevertheless, their box for retail distribution looks great and could do quite well in that distribution channel.

There are no guarantees. We had incredible success with *Nanny Mania* but when we released *Babysitting Mania* only eight months later, it didn't perform. That just goes to show you that data never guarantees success; it merely increases the probability of success.

Donovan is the president and owner of Gameagents Corp, a publishing group, and creator of Gogii Games brand.

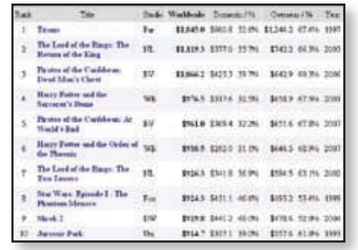
It's impossible to overstate the importance of monitoring consumer trends and independent marketing data.

Establishing the brand in 2006, Gogii Games has since produced 11 products and 5 major hits. Ten titles are currently in development and scheduled for launch in 2008.

Published titles are available in multiple formats including PC retail, Nintendo Wii, NDS, GBA, and Mobile Phones.

Formerly, Donovan owned Infiknowledge Inc., there he produced Gamefiesta and gathered the skill set required to understand the consumer side of casual gaming. In 2001, he sold the company to Traffix Inc (TRFX:NASDAQ) a publically traded marketing company.

Prior to forming Infiknowledge, worked for ICG a promenade Agency that worked with Developers and Publishers for placement, M&A and licensing arrangements. Having spent over 15 years in the Video Game business Donovan has established a large number of relationships and contacts in multiple traditional and non-traditional channels for distribution and licensing.



***Analyze the top themes of the year in case any of them might translate into a casual game.***

# Dream or Reality?

## Does Your Project Have What It Takes?

Risk management. Sounds like a boring university lecture. But in real life, nothing is more important—or more interesting—for projects small or large. In previous editions of *Casual Connect*, we have offered suggestions on how to make a go of it as an independent developer (see, for example: "The Realities of Running an Independent Game Studio" (Summer 2007); "Surviving the Industry" (Fall 2007); and "Don't Go Broke" (Winter 2007). As a follow-up to those popular articles, in this issue we offer a series of articles about the specifics of mitigating risk.

1. "Survival" by Brian Poel. In the face of mounting competition and skyrocketing development costs, developers looking to enter the casual games space will need to carefully plan their business approach. Brian takes a look at specific distribution methods and business models available to mitigate risk for new casual games developers.
2. Examples of Survival—Three companies from the Big Apple. Three specific examples of New York City companies founded seven or eight years ago, each of which has grown organically to about three dozen employees while mitigating risk through diversification of clients, products, and platforms.
3. "Rapid Prototyping to the Rescue" by Bill Dugan. With ever more clones on the market, many are worried about their studio's ability to create genuinely innovative games. Bill gives an overview of how his company used rapid prototyping to foster innovation.
4. "*Zam BeeZee* Postmortem" by John Foster. A group of experienced, successful and smart developers leave their safe nest at an established Advergaming company and set off in search of their own fame and fortune. Follow their experiences over two years—and the rather harsh lessons learned from their experiences. Although *Zam BeeZee* was released nearly three years ago, the candid detail is still illuminating today.

Jessica Tams

## Examples of Survival

***Three companies from the Big Apple***

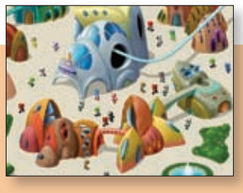
**Arkadium,** an independent game developer headquartered in New York City, has mitigated risk by offering a number of different product options as a service to major brands. This includes allowing games to be compatible with many devices including iTV and SetTop Boxes, Nintendo Wii and 99% of all computers.

The ability to create custom game software quickly on diverse platforms has enabled Arkadium to meet the needs of a wide range of clients such as Mattel, Hearst, National Geographic, CBS and Reebok—while not putting all of their focus on just one product offering.

Peter Lee and Eric Zimmerman founded **Gamelab** in 2000. Based in New York City, Gamelab focuses on PC download and online multiplayer games along with custom development for major brands. Their projects are funded with advances from publishers, private investment, self-publishing, as well as grants (Gamelab has received major grants from the MacArthur Foundation and Microsoft).

Although many would have gotten high-and-mighty after the great success of *Diner Dash*, Gamelab continues to work with publishers and partners while also pursuing self-funded projects in order to mitigate their financial risk on any one product.

Since opening its doors in 2001, **Large Animal,** an independent developer located in New York City, has mitigated the risk of self-publishing downloadable games by adding projects which involve advances from publishers. The duality of guaranteed income from publishers and the high return on self-published titles has segued into the addition of a new online framework for player customized games, *PlayWidgets*. For example, their *Mustachr PlayWidget* allows users to add mustaches to their photos which are then viewed and rated by others and can be embedded into any blog or social networking site.



*Radica's* U.B. Funkeys *was the first interactive toy to marry toy collecting with interactive computer gaming in a virtual world designed by Arkadium.*

*To help promote the latest installment of the* Die Hard *movie series, Arkadium created the first Wii compatable adver-game for the movie's Web site.*

Miss Management, *developed and published by Gamelab.*

Jojo's Fashion Show, *developed by Gamelab and co-published by Gamelab and iWin.*

Mustachr PlayWidget, *developed by Large Animal*





# Survival

## Risk Management for the Small Developer

As the digitally distributed games industry matures, small developers should consider carefully how best to compete. Given the evolving budget realities of independent development, how can developers minimize their risks, while retaining their independence and building a future for their companies?

### The Changing Market for Casual Games

One reason developers originally left the enthusiast core market to work on downloadable casual games was the vast difference in investment risk. Enthusiast core games required a staff of dozens, budgets counted in millions, development cycles measured in years. Developers had no choice but to work for publishers in order to get financing. By comparison, the casual industry has

thrived on a fraction of those numbers, so developers have found that they can self-finance, create direct relationships with distributors, and most importantly, retain ownership of their intellectual property—the key to building the value of their companies.

In the last year, the cost of building casual games has increased, however, as production values have risen dramatically along with customer expectations. In order to compete, it takes bigger teams with bigger budgets to make a quality game, and because of the longer development cycles, developers can't afford to launch as many games each year. Don't get me wrong, there will always be a place for quirky, out-of-nowhere, low-budget hits, but no one can predict where they'll come from next (that's why they call it "out of nowhere").

On top of these competitive pressures is the reality that in casual games, like in any hit-driven entertainment industry, more than 80% of the revenues are generated by less than 20% of the games. While a large publisher can play the odds by shipping many games per year, offsetting losses from its duds with the success of a single hit, independent developers find themselves betting it all on one game—one game that determines the ultimate fate of their fledgling enterprise.

### Reduce Your Risk with Web Games

One way you can reduce your development risk is to downshift into a part of the industry that has a lower ticket to entry: web-only games (that is, Flash or Active X games). Budgets and development cycles for web games are much smaller than those of their downloadable counterparts. Compared to what it might cost to finance a single high-quality downloadable game, you can launch many more web games in less time and with a smaller team, allowing you to spread your bets across multiple games and increase your chances of scoring a hit.

Unfortunately, revenue models for independent developers of web games are not as well developed as they are in the downloadable market. Some distribution portals still do not share advertising revenue at all, and those who do employ a wide range of contract terms. Fortunately, this points to a royalty shakedown coming soon as the advertising market solidifies. Investing in this part of the market sooner rather than later could position you ahead of the rest of the pack in this critical and fast-moving corner of the casual games industry.

Brian Poel

> "Swallow your 'indie pride' and accept money from a publisher."

### Fund Your Independent Projects with Money from Published Projects

Another way to diversify your risk is to swallow your "indie pride" and accept money from a publisher in order to fully fund one development team. The key is to take advantage of this period of steady income to self-finance the development of a second downloadable game in which you own the IP (or several more web games if you're going that route). It's easier to endure the evenings and weekends of working on side projects, knowing that at least your salaries, equipment and software are being paid for by your published project.

Keep in mind that a publisher is unlikely to fund development with a completely unproven team, so this option is usually open only to developers who have already produced one or two casual games and have proven that they have good production values and design instincts—even if those games weren't mega-hits.

# Survival

## Risk Management for the Small Developer

As the web-only market becomes more sophisticated, a strong web-game portfolio could be enough to secure publishing deals—either work-for-hire to create web versions of existing download games or to make the leap from web to download production.

### License Your Intellectual Property

Once you have a hit on your hands—with a game that you own, that is—you need to find partners who are capable of taking your IP to other platforms or distribution venues where they have the means and expertise to generate revenue.

A common example is licensing for mobile development. Creating a mobile game that works for all of the carriers and their handsets represents a huge potential expense, so leave that work to an experienced mobile publisher. Mobile is also a perfect fit for casual game IP, since the overall complexity and game-play depth is a closer match.

If you start feeling guilty about "renting your baby" to other publishers, just remember that if you are unable to develop and distribute the game on other platforms, any revenue generated through a licensing agreement is revenue that you would not have earned otherwise. It also allows you to get back to the business of generating more original IP.

### Managing Your Risk and Planning for the Future

These strategies for managing risk are not unique to the casual games industry, but rather they can be seen at work in many other entertainment industries, including the core games market. As the casual games industry matures you must continue to adapt to changing budgets and changing business models, but we must all work together to ensure that the spirit of the independent developer survives and thrives in digital distribution.

Brian Poel [brianpoel@comcast.net]. Currently an independent consultant for the casual games industry, Brian most recently worked for Oberon Media, where he held a variety of positions over his nearly four year tenure, including managing content acquisition and developer relations, as well as legal and financial operations for developer royalties. Brian brings a diverse background to casual games: information design and usability, an MBA from the University of Washington, professional theatre, and a life-long passion for games of all shapes and sizes.

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# Rapid Prototyping to the Rescue

## How to Keep Design Documents from Destroying Innovation

Bill Dugan

In the last 18 months, it has become rare to hear someone say "prototyping" without it being adjacent to either the word "rapid" or "iterative," or (for that matter) "rapid iterative." I see that "rapid prototyping" generates about 1.6 million Google hits, whereas there are exactly 589 for "slow prototyping." The prototypers have spoken.

During the development of our game *Schizoid*, we accumulated more evidence (the hard way) that rapid prototyping is the best method of creating innovative game-play. This was not surprising. But at the same time, we also found (probably belatedly) that there's a second reason that speedy rapid prototyping is important: Speed saves prototypes—and in turn, therefore, it can save projects. (If "speedy rapid prototyping" sounds redundant, a more detailed description might be "rapidly-iterative prototyping that quickly proves its point.")

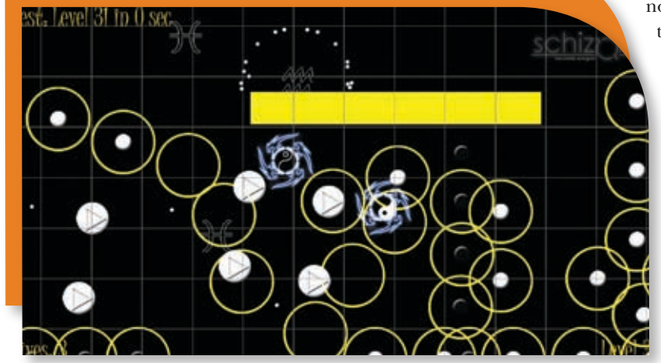
### Design Documents Stifle Innovation

I don't think I've talked to any developer in the past five years who has said that the key to innovative game development is writing—and then executing—a thick, monolithic game design document. In contrast, the buzzwords—actually buzz-bullet-points—I've heard in the last couple of years have been:

- Try a tiny prototype to investigate a new game-play idea. If it's fun, plan tentatively to use it, and polish it up and improve it a little bit next week. Repeat until you get *Peggle*. If the idea isn't fun, then either make it more fun in the next week and try again, or throw it away and try something else; you have avoided a path to boredom, and it didn't cost you much to learn to avoid that path.
- Agile development methods like Scrum are really good for this. Work in short sprints, making immediate adjustments to the previous day's work, and operating off of a two-page to-do list. And you should adopt this philosophy of embracing frequent change, using a rapid-prototyping philosophy on most components of your game project, for nearly the entire time you are developing the game, up until you really freeze the features and go into final QA.
- You can't design the fun of a video game in advance on paper. As you create parts of the game, unexpectedly fun interactions will appear occasionally. The team should pounce on these—because each unexpectedly fun part of the game might expand to be a larger part of the game, or even end up being the focus of the whole game.

These are the now-standard arguments on how to innovate in games. Each has significant downsides. From the viewpoint of trying to create an innovative game, the worst downside is that as an independent game developer, it's generally not possible to do any of the above. For the past 15 years, publishers have required that thick, monolithic design document (as opposed to Design By Rapid Prototyping) for several well-intentioned reasons:

*An early prototype of* Schizoid



> Speed saves prototypes, and in turn, therefore, it can save projects.

- A publisher wants to force you to think through the consequences of your design decisions. By writing down the details of the scoring system before you've started coding, you may realize, for example, that the scoring system requires the Reflex Detector system, which you forgot to write into the schedule. (Even so, I'd argue that designing the scoring system up front is a pure waste of time since at design-doc time it's not even clear what the score should measure.)
- The publisher simply wants to see and understand what it is paying for. "Is this game we're buying more like *Doom 3,* or *Castle Wolfenstein 1* (on the Apple II version)?"
- The producer has a sneaking suspicion that you are planning to pocket three-quarters of the advances and use the remaining one-quarter to pay one subcontractor and a few college interns to slap together a game that's barely sufficient to satisfy the milestone definitions. The big design document may protect against this, the producer hopes, and robustly!

Another aspect of the thick design document that affects innovation is this: The publisher usually tries to incorporate that document into your contract. When stuff from the design document gets changed, simplified, or—horrors!—cut altogether, a cranky individual at the publisher can (and probably will) point to the contract, explain that you are in breach,

# Rapid Prototyping and Saving Projects

How long do you want your best people putting their efforts toward something that has less than a 50% chance of panning out?

demand a reduction in your percentage of ownership, and otherwise lean like hell on you. Some managers at publishers look forward to this.

The drawback, of course, is that the standard, written-up-front design document stifles innovation, all attempts to refer to it as "a living document" notwithstanding. The first problem is that such a document implies that you can chart a year in advance the wisest course for a project to which you will make minor course corrections on a daily basis. In addition, since the delivered game is supposed to reflect the thick design document that's embedded in a contract, your own management will actively resist changes to what was written in the original design document. The issue is that every design change thus becomes a change to the contract—which usually requires either fighting or begging the publisher.

The implication of all this is that the large game publishers are only going to get innovative game-play from: (a) internal teams that use rapid prototyping throughout most of the project, and are given a long leash to do so; and (b) external developers who somehow have the cash to develop innovative prototypes on their own, without any detailed top-down design requirements. Both of these paths can be hindered by The Big Design Document.

## Speed Saves Prototypes —The *Schizoid* Case Study

I don't think it is overstating it to say that "rapid iterative prototyping" is principally responsible for the creation and survival of our *Schizoid* project. In fact, due to its innovative game-play, it was the speed of its development that saved *Schizoid* from almost certain death.

When Jamie Fristrom, our technical director, came up with the original idea for *Schizoid*, we were spending a lot of time pitching publishers on various projects. We spent a lot of time writing short design treatments, scheduling, and budgeting. Jamie had an idea for a game in which the two thumbsticks on a console controller would control two separate heroes, and he wanted to take some time to prototype it. "Sure, go for it," I said, but I was uneasy about whether this was going to be a wasted couple of weeks when we could have spent more time improving our time and budget estimates for our proposals.

While looking for, you know, rapid iterative prototyping solutions, Jamie had the good fortune to happen upon XNA Game Studio by Microsoft. He created a prototype using programmer art (or, "fancy X's and O's," if you will) in four days. This was enough to get us excited about the game; then we got some friends excited about the game, then game designer Richard Garfield suggested this would make a great co-op game, and things snowballed from there. One idea led to another, as they say, and within eight weeks we got a pretty nice prototype in front of Microsoft, who greenlit the project for publication on Xbox Live Arcade.

The important thing about all that, I think, was those first four days. What if Jamie had taken two weeks to make the prototype? At what point would I have started asking him about when he thought he'd be done? How frequently would I have nagged him about it? How soon would I have told him to drop the prototype and move on to something else? In hindsight, Jamie should have taken whatever time he needed in order to get *Schizoid* going; but prototyping innovative game-play is speculative, and many prototypes are awful, including many based on great prototype ideas. How long do you want your best people putting their efforts toward something that has less than a 50% chance of panning out? There are a hundred other tasks they could be performing in order to help you ship product, and isn't shipping product the core of the business? It's hard for managers to stick with having their best people do speculative work. It's different when you're dealing with a knock-off of some game whose critical reception, strengths, and flaws are well understood. When trying out an innovative idea, though, there's simply no way of knowing how it will turn out without creating it.

This experience has convinced me that half-measures are the death of prototypes—or at least, of prototypes that are intended to prove innovative game-play. Such projects really do have to have your best people on them, equipped with tools that will lean on speed of development over any other factor. In our case, XNA Game Studio was a great big help because it provided a game framework that was ready to go, and because coding in C# is much faster than coding in C++—especially if you're prototyping and don't have to spend any time optimizing for performance.

Any considerations other than speed of development need to be de-prioritized as much as possible. Don't tell your engineers that, to save time in the full game's schedule, it's important to build a sturdy framework upon which the entire game can eventually be built. The prototype should be quick-and-dirty, and the code should probably be mostly thrown away afterwards. Since game-play is the thing being prototyped, use any art you can grab—anything at all—and cram it in there. Spend all your time on writing game-play code, and then as soon as you've got something working, get someone to play the game. If something's bad, make suggestions on improving it immediately—in the next day or so. Remember, the prototype has got to shape up quickly in order to justify its own existence. Otherwise, it might get killed.

Bill Dugan is the president of Torpex Games. The company's first game, *Schizoid*, will be released on Xbox Live Arcade in early 2008.

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# Postmortem of the Development of the Casual Game *Zam BeeZee*

John Foster

*Zam BeeZee* is a casual game of the word game genre introduced in July 2005. The game was conceived, designed, produced, developed and maintained by two people: an artist and a programmer. Two people—with a passion for games, a point to prove and never enough free time—made the game over the course of two years. The result was a lesson in humility no one expected.

**Developer:** Blackburst Media, Inc.
**Publisher:** self-published
**Release Date:** July 2005
**Platform:** PC
**Engine:** Director MX 2004
**Dev Time:** 23 months
**Team Size (part time):** 2
**Team Size (total):** 2
**Budget:** $100,000
**Most Valuable Word Attained During Development:** zabagliones (32,652 pts)

## Why Bother?

The year 2003 saw the beginning of the boom in the casual games market. Inspired by the success of titles such as *Bejeweled, Collapse, Zuma,* and *Bookworm*, many independent developers and established studios saw the pot of gold at the end of the casual games rainbow. With the Internet as an easy and low-cost distribution method and DRM (Digital Rights Management) technology to protect their investment, it seemed almost anyone with an idea and a programming technology could sell a game to an insatiable audience. And that is what we saw. Aside from the occasionally well made title, all kinds of mediocre content of questionable value sprung up on gaming portals as even new gaming portals proliferated.

We were working at a small independent advergaming company which put out six casual games. The first two were introduced at the very beginning of the market in 2001 and sold very well—over $100,000 each in net sales revenue. The company saw the success of this market and in due time (almost four years later in 2004) began work on four new titles. These titles were lighthearted game concepts better suited to consumable online play as opposed to the casual games market—or what it had become by 2005 when they were introduced—and the market responded accordingly. Most portals wouldn't even take the games. Where they were listed they sold poorly.

At the time we were working on these games, the two of us (names need to remain hidden to protect the innocent) looked around, and saw what was going on, and thought, "We could do way better than this." So starting at the end of 2003 in our spare time we began developing a word game called *Jumble Bee*. *Jumble Bee* would address a lot of areas we saw as lacking in casual games—high artistic production values, rich sound, engaging game play that challenged the player who invested in the game yet had a low barrier to entry, and a lot of game-play features for the $20 we expected users to pay.

## Choice of Technology

Our first major decision was choosing the right technology to build a casual game based on what was appropriate for the existing market. We chose Macromedia (now Adobe) Director for many reasons. First and foremost, the two of us were well versed in the platform and knew the ins and outs of the capabilities of Director. We had made many games in this technology and we had a solid pipeline for workflow. We also had the technical talent to address all of the game features we needed and could get the performance we required. The only other option would have been C++ and we did not have the asset management or the pipeline to work with that technology. Also Director would allow us to publish an executable for both PC and Mac. For the casual games market we felt at that time that a Mac build would be important. Flash and other script-based tools would not give us the performance this game would demand.

## Development Process

We purchased all software and made sure everything we used for the product was licensed or our own intellectual property. We purchased individual licenses to every piece of software we would use for the project. This included Macromedia Director, Adobe Photoshop, AutoDesk 3D Studio Max and a handful of tools and Director Xtras. We purchased all new hardware. We wanted to make absolutely certain everything we did was done on our own time and on our own equipment so as not to cause any conflict of interest or software licensing issues.

Since the project team was just two developers we skipped all formal process such as game design. We didn't see the need nor did we have the time to write down ideas and vet them through. Instead, the artist independently developed a full prototype of the game in Director. From that point the programmer coded the art assets to build a functioning prototype while the artist continued working on new features. While this methodology produced quick results, it also led to many problems. At certain points in the development process new features were introduced that canceled out already coded features from the prior iteration. Some ideas were not well thought out and we had trouble merging ideas or reworking features we considered complete. Another issue that stalled the project was that it took so long to develop (remember we were doing this in spare time) that as new games were introduced into the market we would introduce new features we saw in other games. We had no deadline. There was no publisher or management to answer to. Our only goal was to make the best game we could given the central concept we started with.

# Post Mortem of the Development of the Casual Game *Zam BeeZee*

This type of development process is not recommended and we can read about the many times it failed projects in the history of software development. While in this case it was troublesome, it was not detrimental. That is because the two people involved here work very well together, having worked on games together for over five years, and they were very passionate and determined to get it right. It also helped that there was no budget and no delivery time. While I would never recommend doing a software project like this it worked in this case due to passion.

## Beta Testing

Finally in the spring of 2005 a beta version of *Jumble Bee* was ready for testing. We introduced the game to our families and friends and a few confidantes in the industry. We were very encouraged initially as many of our testers could play the game without any instruction. We felt confident these testers represented our target casual games audience. A small number of bugs and game play issues arose out of the beta test, all of which were quickly addressed. New builds were made on a regular basis and distributed to the increasing number of beta testers as the game grew in popularity amongst our small circle of friends and family.

IGDA Demo Night: We showed the game to the New York City game development community at an IGDA sponsored demo night. There was a lot of excitement in the air as the demo progressed and people in the audience shouted out words as they got into the game. IGDA members were singing praises over the production quality, the music and the game play. Having your game validated by your peers is very rewarding. We definitely felt we were on the right track now. The IGDA event introduced many networking opportunities. Furthermore it validated many of our assumptions and we knew we were on the right track.

## Developer Meets Distributor

At this stage in the beta cycle we began shopping the game around to the distributors. We wanted to get early feedback from the experts in the industry and verify our assumptions about *Jumble Bee* being a marketable product. We had prior experience working directly with the portals from our day job so we already knew who to contact and how to work with them.

All our initial feedback was very positive. Everyone we introduced to the game was impressed by the high production values. We received no negative comments at all. A few portals had some game-play feedback, which was incorporated quickly, and new builds were distributed.

One individual at a particular distributor had a very interesting bit of feedback. He felt that the company that owned the trademark to the word game *Jumble* (syndicated in many newspapers but not a video game) would vigorously defend its trademark. He wanted us to consider changing the name of the game. Being small indie developers with no money we were really worried that if our game were successful some big company with a big legal team would intimidate and crush us. We didn't even consult an attorney; we just got to work changing the game name.

Changing the name of the game when you are in beta is a really difficult and costly decision. This change affected everything—art, logos, promotional art, file names, code—down to the deepest parts of the product. It was something we didn't plan for and cost us at least two months in rework and retesting.

Finally, in July of 2005 we felt the game was complete and ready for prime time. We didn't know it then but the real work was about to begin.

Through our early networking with the beta version we were able to line up a few casual games portals that said they would take the product. A few others seemed very positive and we were certain we would have all the major portals. It is strange how misconceived we small developers can be.

Our strategy was to get the game on Yahoo! Games, MSN, Pogo, Big Fish Games, Shockwave and Real by working directly with the contacts we knew at these portals. We knew who was working at each portal from prior experience in the industry, networking, the IGDA and attending GDC. Also working in the industry for our current employer we felt we had the knowledge to get the job done. Armed with a casual game everyone thought was great (not one person had a single negative comment) and a growing market we felt the one thing we couldn't miss was getting it out there.

Well, we were wrong.

Yahoo! Games—"Word games don't sell well. Show us good sales numbers at the other portals and maybe we'll consider it."

MSN—"We actually don't handle our catalog, you need to work with Oberon."

Pogo just stopped returning our calls.

Real, who offered a lot of valuable game-play feedback, almost all of which we addressed, lost interest.

Shockwave was also elusive. We never got anyone there to take us seriously.

Big Fish Games took the game. Finally we had one portal.

We also got the game listed on Reflexive.

By now we realized that to get access to the popular casual games portals we were going to have to go with a distributor. This wasn't our plan, but since our plan was not working we didn't want to leave the game without a chance to find a market. We had contracts on the table from Oberon and Game Trust, but it wasn't the strategy we had planned. The margins were not as good as the portals would offer us directly. Since a critical number of portals would not list the game we were just leaving money on the table.

The initial distribution agreements from Oberon and GameTrust are not very developer friendly: very low percentage of sales goes to the developer; all kinds of holes and charge-backs for things completely outside the developers control, like bandwidth, miscellaneous fees, and indeterminate costs of doing business; transfer of IP if the game is successful. This is all very scary stuff for developers with little legal expertise. But we had a game that was done and it would sit on the shelf if we didn't sign at least one of these agreements. We decided to go with Oberon. They were very excited about the game, treated us with respect, and gave us the overall feeling that we could work together. The downside was the developer revenue share. It was nowhere near as attractive as what we could get directly from a portal. While this is understandable given the additional overhead, it really left us wondering if this could be a viable business given the low return. Only if the game sold really well would it be worth it.

## Cost of Development

We wanted to understand what our investment was in this project so we could determine if the sales results would deliver us a profitable business model. In order for us to consider this a business—and we weren't expecting to get rich doing this—there had to be a positive side to the revenue received against the cost of development.

We had plenty of experience making games and managing development teams so we felt we understood the process life cycle. There was some up-front design work, art production, coding, testing, producing, maintenance and integration. Also tracked was the effort to make special builds for each portal and assemble the necessary marketing assets. We tracked our hours and assigned hourly values to different roles as to simulate what it would cost if we hired relatively low-level resources to perform these tasks. (*See Table 1: Development Costs.*)

In the end we calculated the project would have cost us close to $102,000 to develop. Granted, this is a bit on the high side as compared to most casual games. We can justify this cost because the game play and feature set of *Zam BeeZee* are very deep.

Furthermore, there was a good deal of rework due to some of the design and development process issues discussed earlier. It was also our first game and there was a lot of time invested in modular reusable code and process development that should save us time on the next project. $100,000 in development costs would mean we needed to see 21,000 unit sales at an average net of $5.00 per unit before we could realize a profit.

## Sales Performance

Initial sales results were pretty discouraging. We sold 142 units the month the game was introduced. The following month the number rose to 470, but still far below our projections, but encouraging considering we did not yet have wide distribution. After the first two months of sales the numbers steadily decreased, as is expected, but since we started at such a low volume and without interest from other important portals it was disheartening.

We tried to think of ways to improve sales performance. We tried to work with the portals to feature the game or give it some prominence in some way on the web sites. This effort resulted in no effort by the portals. The portals had written us off by now and no one was willing to chase after a loser. (*See Table 2: Sales By Month.*)

In a surprise and unexpected twist, MSN featured the game in their top 5 word games for 1 week in July, 2006. Doing so resulted in an immediate spike in sales. That one week feature lasted for two months in increased sales numbers.

What is very interesting about *Zam BeeZee* is its conversion rate. The typical casual game in this market averages a 1–2% conversion rate. That is, for every

### Product Development

| Task | Hours | Rate | Expense |
|---|---|---|---|
| Design | 308.0 | $80.00 | $24,640.00 |
| Production | 150.0 | $45.00 | $6,750.00 |
| Programming | 1,040.0 | $60.00 | $62,400.00 |
| Testing | 180.0 | $40.00 | $7,200.00 |
| Maintenance | 46.0 | $40.00 | $1,840.00 |
| Branding | 24.0 | $40.00 | $960.00 |
| Total | 1,748.0 | | $103,790.00 |

**Table 1: Development Costs**

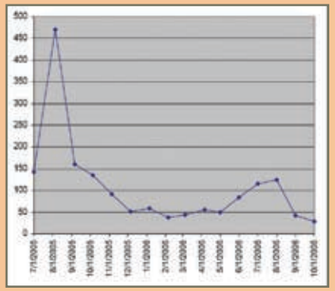

**Table 2: Sales By Month**

### Product Performance

| | |
|---|---|
| Total Income: | $8,378.94 |
| Total Expenses: | $103,790.00 |
| Profit (Loss): | ($95,411.06) |
| Total Units Sold: | 1,688 |
| Per Unit Net Avg: | $4.96 |
| Total Downloaded: | 384,424 |
| Avg. Conv. Rate: | 2.22% |

**Table 3: Overall Sales Performance**

### Results By Portal

| Distributor | Conversion Rate | PPU | % of Revenue |
|---|---|---|---|
| Oberon | 0.41% | $4.58 | 76.46% |
| AOL | | $4.50 | 2.74% |
| Large Animal | 4.40% | $8.61 | 8.38% |
| Big Fish Games | 5.93% | $5.73 | 7.51% |
| Reflexive | 0.37% | $7.44 | 4.91% |

**Table 4: Sales Results by Distributor**

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100 people who download the game and play the free trial, one person will purchase it. *Zam BeeZee*'s conversion rate averages 4% and in some months was as high as 15%. It seems that people who download the game really like it. However, since our sales numbers are so low no one other than the developers believe that to be true. (*See Table 3: Overall Sales Performance.)*

Results differed significantly by distribution method. While we earned more money with our direct portal relationships, the sales numbers didn't amount to much. Our reluctance to sign with Oberon was ill conceived as we earned 75% of all our income from them. In the end we learned that a developer must negotiate the best deal possible but never ignore a possible deal as that's just leaving money on the table. (*See Table 4: Sales Results by Distributor.)*

## Conclusions/Delusions

Based on our experience, the euphoria of an indie developer making a great game and putting it out to a receptive public is over. In fact, I would think any independent developer trying to make it in this business has to be rich with money to burn, or just plain blind. Like the music business, making it to the big time has little to do with passion and talent and everything to do with who you know, who likes you, and who is willing to take a chance on you. In our case, no one was willing to stick their neck out, and the sales performance returned exactly what was put in. Nothing. Given our experience with the casual games industry we offer these rules for small developers:

1. Develop the business plan before the game. Without a plan to market and distribute the game, even the greatest game ever made will not find an audience.
2. Back up the business plan with solid contacts at portals and distributors. If it's part of your plan then find a publisher who believes in your idea and is willing to help implement the business plan.
3. Without the business plan and a surefire distribution plan, don't bother developing the game.
4. Get a good lawyer who has experience in the games and/or music industry so you know who to handle the types of contract points and intellectual property issues that will come up.
5. Make the best deal you can with all the portal and distributor options you can muster up. Too few distribution points and you may not receive a good enough return on your product.6. Iteratively build your game from the core game play concepts out, checking each playable build with key constituents who can verify your assumptions. People close to the development process are not useful for this so don't even consider it. Use your publisher, distributor, and portal contacts to play-test the game. Identify typical users who represent your target audience and check your assumptions and listen to their feedback.

For now it's back to the comfort zone of working for an established company and having someone else worry about making a profit and meeting payroll. It's nice to have dreams and the ability to execute an ambitious plan, but with too many factors beyond your control it is futile.

John Foster can be reached at john.foster@casualconnect.org.





# Licensing Content

## A Developer's Guide

Working with a major piece of intellectual property is both challenging and rewarding. From the initial excitement of placing your name next to a major brand to the anticipation of the first sales report, it's a complicated but satisfying relationship with many interesting and unique challenges.

Those of us who work in the games industry are no strangers to licensed product. These days it seems that just about anyone is willing to slap any old license on a game-play mechanic. Yet with all the excitement around licenses, one of the biggest mistakes one can make in the casual games industry is to assume that a license makes a game successful. True, the familiar name might increase traffic to your game, but in a predominantly trial-to-purchase marketplace, you're most certainly doomed to failure if the game doesn't stand on its own merits or fit well with the license.

At the same time, you should never underestimate a licensor's belief that the license can and will make your game a hit. The various statistics and countless graphs always point to the power of the brand. As a licensee, it's important to set realistic expectations, especially for the licensors unfamiliar with trial-to-purchase consumers or those who have historically relied on retail impulse buying.

### The Development Process

Before you begin development or the design process, you should work with the licensors to determine what is really important to them about their brand. Knowing which things you can or cannot modify or adjust for your project will save time and bitter feelings later in production. If you're going to modify the brand in any way, it is often best to present those modifications to the licensor by using a different brand to illustrate what you have in mind. Concrete examples can help show how other brands have been successfully adapted to games. Use those as support for any adaptations you're planning to implement for your project.

Robert Adams

> "You should never underestimate a licensor's belief that the license can and will make your game a hit."

Beginning with pre-production and throughout development, there should be constant review to ensure that the license acquired will lead to a successful game. First and foremost, the license has to appeal to

### Three Point Checklist License Review

*Case Study: Agatha Christie*

The Agatha Christie license, licensed by Oberon Media to produce a casual game in 2007, provides a great course in developing appropriate, contextually-relevant content.

**Point #1—The License Has to Appeal to the Target Audience**
Agatha Christie writes mysteries which appeal to a broad demographic, but her name is especially identifiable with 40+ female consumers. Given that the primary consumer purchasing games is over 35 years of age and female, the license and demographic were a nearly perfect match.

**Point #2—The Game, the Demographic, and the License Have to Align**
Given the popularity of hidden-object games in the marketplace today and the similarities to the narrative of mystery novels, pairing the Agatha Christie name with a clue-driven hidden-object game was an easy match. Jane Jensen was able to take mystery-style game-play mechanics, clues, and story elements and integrate them directly into game-play, thus allowing the license to be used in a very similar form to the original novel and movie formats.

**Point #3—The Game Itself Has to Be Great**
This last point is something often overlooked by those assuming (incorrectly) that the brand will be sufficient to drive the success of the product. Proper development practices, user-testing, attention to detail and polish are just as important for games with licensed intellectual property as for any other casual game.

the target audience. In addition, the game, the demographic, and the license have to align. Lastly, the game itself has to be great.

Once production begins, it's safe to assume that your licensors will want to see progress as frequently as possible—which can really complicate your development if not managed properly. Involving the licensor at the right time is critical to keeping your project moving forward at a steady and methodical pace. Anything that you're creating as a representation of their license (including characters, settings, storylines, etc.) should certainly be made available for their review as early as possible.

However, you should minimize the licensors' involvement with other aspects of development, especially in the early stages when your team is working to turn a design document into an actual game. In particular, you should strive to minimize the licensors' exposure to the unfinished portions of the project. When the time comes to show them a work-in-progress, you can expect your team to be hit with a list of questions about unfinished bits of the project. The best you can do is have a conversation prior to every milestone reminding the licensors what they can expect, what isn't supposed to be finished, and what you'd like them to comment on and approve.

In short, if you're thinking about working with a license these are some of the things you want to consider: brand integrity, relative game-play, and demographic appeal. Be true to a license, use a game-play that works well with that license, and make sure both are appropriate for your demographic.

Robert Adams is currently a Senior Producer at Oberon Media, Inc. As a Sr. Producer Robert has been responsible for the success of numerous titles including *Agatha Christie: Death on the Nile, Magic Match, Turbo Pizza,* and most recently *Agatha Christie: Peril at End House.* With over five years production experience in the casual games space, Robert is constantly striving to advance the marketplace by offering new and innovating content that is broadly appealing for the consumer. Robert can be reached at robert.adams@casualconnect.org.

# The Good, the Bad, and the Money

## Inbound Licensing: The Value of Global Brands

Kevin Richardson

Every developer would like to create the next *RISK* or *American Idol* and own the IP outright. That is certainly the ideal. But there is a really good reason that licensing a popular game or brand is often better than trying to invent your own IP, namely: traction. The license represents years of R&D and a built-in consumer base. It includes countless hours of play-testing and perfecting—often over decades. Brands add value, and the best have their own cultural or even global mythology behind them, making consumers believe they are participating in something bigger when they a play a familiar game.

But if brands add so much value, why is it that interactive versions of our favorite toys or games sometimes miss the mark? Does the large advance for the license lead to reduced production budgets? Is it that developers would rather create their own IP, so the teams produce licensed games only grudgingly (no fun for the developers, none for the player)? Or is it that interactive games are sometimes such a different animal that the essence of the original toy or board game loses something in translation, or perhaps can't be translated at all?

> "If brands add so much value, why is it that interactive versions of our favorite toys or games sometimes miss the mark?"

### Let's License a Brand

After a long day of trying to find the next hit from a pile of internal and external game submissions, you arrive at a friend's house with few less hairs on your head and she breaks out a favorite board game to help you relax. You play it and it's great! The gears are turning in your head—because you're in the casual games business, and you've just hit gold! The next day you telephone the ACME Game Company—you simply *have* to make that game—and the negotiation begins.

Lucky for you, your lawyer and smart associates have you ready for this conversation. Here are some of the things you'll want to discuss.

- **What:** What rights are you after? Licensors often sell rights for specific platforms, making the advance within reach of small-to-medium publishers. Casual download rights, retail, XBLA, Wii, DS? The more you want, the more the license is likely to cost.
- **Who:** Who is going to exploit these rights? Perhaps it's your company, and also your affiliates. In casual, you depend upon third parties to market and sell your games. The licensor wants to understand your business model and who you will depend upon to publish or distribute the game.
- **How Long:** A license may have several exploitation periods that open up based upon hitting negotiated, financial milestones. For example, after the initial term, if you hit the agreed upon financial milestone, you can extend the license for an additional year or years. If you fall short, you may lose the license, or the rights may get ratcheted down (for example, the rights, or some subset may become non-exclusive). There is typically a maximum term for a license, creating a great sense of urgency to get the product out to customers ASAP and market it like crazy. Your goal is to make lots of money—and not lose those rights!
- **Where:** In what territory do you plan to exploit the property? All over the world? Only in English-speaking territories? The licensor will want to ensure that you have the ability to market the game in every part of the territory to which you're granted rights. For example, if you aren't able to market a license-based product in Japan, the licensor will want to retain control over the Japanese rights.
- **How Much:** There are several amounts you will be negotiating. All are typically advances against royalties for each leg of the license. There's the first year's payment. At least half of that year might be tied up in production, so this amount is typically much lower than the years that follow. Year Two could be double Year One or more, for example. Often the license can be extended for additional years after the first periods, provided you have reached various revenue milestones, with a cap for the entire contract—or "sunset" as it is often referred to—which often can be extended if both parties are happy with the relationship.
- **Revenue Split:** How will you and the licensor split the revenue you receive? 50/50? 70/30? 90/10? Will the revenue split be based on gross revenue or net revenue? If net, what deductions will you be entitled to take? It's all negotiable and typically based upon the strength of the brand versus that of the developer/publisher. You should know what minimum revenue split you'll need in order to make the project financially viable. And keep in mind that, in addition to revenue splits, the contract will also stipulate dollar minimums that you as the licensee will need to pay to hang onto the license in the years ahead—regardless of the revenue the game generates. For example, if the licensor's minimum share for Year Two is $100,000, but in actual revenue its share only hits $85,000, you will still need to pay the additional $15,000 to hold onto the license.
- **Approval:** Every licensor has a different approval process. The process needs to be clear and spelled out upfront so that everyone understands what they are getting into. Some licensors need three business days (72 hours during a business week) to review materials; others may insist upon an unlimited amount of time

# The Good, the Bad, and the Money

## Inbound Licensing: The Value of Global Brands

for reviewing deliverables. Regardless of the terms you agree to, the licensor ultimately wants to be sure that it has visibility into the production, and can give timely and helpful feedback—in direct conflict, sometimes, with the licensee's desire to release the product and start recouping the advance.

- **Marketing:** What marketing commitments are you willing to take? Will you need the licensor to do cross-marketing?
- **Other Stuff:** There are many boiler plate and non-boiler plate items you may find in a licensing contract, including: The date which the game must be launched (that is, available to the public); insurance and indemnity clauses; termination procedures, etc. *(For an excellent explanation of standard contract clauses, see Michael Mei's articles in the Fall 2006 and Winter 2007 editions of* Casual Connect *magazine.—ed.)*

### The Relationship Begins

Now, having obtained the license for your fictitious game property, you may start to wonder what this relationship is going to be all about. To help explain the nature of licensing relationship, we asked Rachel Hoagland and Jim Eisenstein of Hasbro Digital Media & Gaming, and Jason Turner of Fremantle Media to weigh in on what to expect during production.

***When licensing your brands for interactive games, what are the main things you look for in a licensee?***

**Turner:** Good people. The first thing I ask myself is, "Would I want to work with this group for the next two to three years?" Once that question is answered, I look at the creative quality and design capabilities represented by their roster of current titles. Finally, I want to see how they will creatively market and promote the game to secure maximum distribution and reach.

**Hoagland:** We look for market leadership, global distribution capabilities, and a proven track record of developing great games.

***What separates a successfully licensed product from an unsuccessful one?***

**Turner:** Above all else, the licensed product needs to be true to the brand. In reality, a brand is a promise, and with all of our titles, we demand that the game-play stay as accurate as possible to the actual TV show. As most of our titles are licensed in the casual game space, the proper balance between high design and approachable and simplistic game play needs to be struck.

**Eisenstein:** The developer that has a true understanding of the core essence of the brand and real empathy for the player in the design of the user interface will typically deliver a licensed game that hits the mark.

***Think of a specific brand you own. Where do you draw the line between what's untouchable, and what's open to translation?***

**Turner:** Inasmuch as our titles are immediately successful because of their rich history and inherent game-play, we insist that the show's game-play translate into the licensed property—without exception. For our *Family Feud* downloadable game, the licensee asked to skin the game to add seasonality—*Family Feud: Holiday Version*. This was a shift from past title interpretations, but we allowed some flexibility here to meet market demands and to stay fresh.

**Hoagland:** We encourage our partners to be as creative/innovative as possible and extend the play experience where appropriate within the parameters of the brand.

***What features and bells and whistles do you hope game developers will take advantage of as they translate your brands into digital media?***

**Turner:** In a word, "community." In the changing landscape of new media, what's clear is that sociability is key. Players all want to interact with brands and with each other as they do so. The value of community and peer recommendation in casual gaming should not be underestimated.

**Eisenstein:** We'd like to see the unique features in each hardware platform cleverly taken advantage of to create new patterns of play. For example, the Wii and DS both have great gesture oriented input devices. The PS3 six-axis controller also presents a real opportunity for input innovation as well. Audio and visual input could be used in many fun new ways. Those input devices are available on many PCs as well as on consoles. The microphone, camera and GPS capabilities on mobile phones present all sorts of compelling possibilities for new ways to play.

***What checks and balances do you have in place for both licensor and licensee to make sure your IP receives an excellent digital translation and delights customers?***

**Eisenstein:** We have an experienced team of design and development approval experts within Hasbro that have a proven track record of evaluating play patterns, recognizing design flaws, and keying in on great innovation.

**Turner:** We have a seasoned creative team and a stream-lined approval process. We have a well-developed style guide for each property, each of which serves as a fantastic compass for our partners to use as they begin development. Having over 400 brands throughout the world, this process is essential. We take a cradle-to-grave approach with each licensee to ensure that our comments, approvals, and suggestions are integral to the game build. We think one of the keys to a successful game is encouraging collaboration between the brand experts and the game development experts.

***Once the developer reaches a production milestone—let's say the first pass of the design of the game—what do you look for and what kind of feedback do you give?***

**Hoagland:** One of our primary goals is to ensure that the design is delivering on the essence of the brand.

> A brand is a promise.

> Would I want to work with this group for the next two to three years?

**Turner:** Between a game design document and alpha/beta review the brand authenticity and game-play is revealed. We generally are looking to see where and if any corners were cut, and (ignoring expected bugs) whether the true game-play from the TV show has been translated.

**Eisenstein:** We're also looking for features or a set of features that make the game fun and provide a point of differentiation from other games in the genre.

***What parts of your organization weigh into each milestone? Which have final approval?***

**Turner:** From a production standpoint, my team takes a first pass at the build to make sure that the translation into a digital product is clean in terms of look-and-feel and game-play. We then hand it over to our creative team who makes creative comments. Along with the creative comments, my team makes the final approval.

**Hoagland:** Each milestone includes a review and approval by marketing, design and development and the digital creative operations organizations.

***Based upon your years of experience with game developers, what are three do's and don'ts that licensees should know about when they are working with your brands?***

**Hoagland:** Do stay within the parameters of the brand.

**Eisenstein:** And don't violate the brand parameters.

**Turner:** Do's:

1. Stick to the brand essence and game-play. They are successful, tried-and-true properties for a reason.
2. Think of creative ways to market the properties by activating enthusiasts and working with partners.
3. Have fun.

Don'ts:

1. Don't do the bare minimum for promotion and marketing. While our properties give our partners a leg up because of the tremendous brand equity and inherent game play, the competitive landscape requires that the properties be marketed consistently.
2. Don't "completely" rely on our TV talent to sell the game. While this talent can sometimes be helpful in selling the game, the inherent game play and rich history can be the best salesman.
3. Don't over-price or under-price the product.

***After the game is released, what kind of marketing support does the developer get from you?***

**Turner:** We always encourage cross-promotion between our partners—retail to digital and digital to retail. To the extent we can, we endeavor to offer in-show as well as online promotion for the property. We have a robust database that we can activate and market to on behalf of our partners. Where some content owners may hand over their style guides and wait for their royalty checks, we like to take a hands-on approach in finding creative ways to offer marketing support for our partners.

**Hoagland:** Cross-marketing with our analog toy and game products is primarily how we support the release of the game. This helps raise awareness of the game in two ways: 1) It creates a link between the toy and the digital game for the consumer; 2) It gets the game outside of its primary distribution channels and allows it to extend beyond traditional aisles within the store.

***What final advice would you give to anyone bringing your brands to digital media?***

**Turner:** Activate brands/sponsors to integrate, and activate a community to participate.

**Hoagland:** Be innovative. The analog version of the brand can be so much more in the digital media.

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Rachel Hoagland is currently the Senior Director Digital Media & Gaming at Hasbro, Inc., a worldwide leader in children's and family leisure time entertainment products and services, including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. Rachel has been in the industry for more than 12 years with primary focus on out-licensing intellectual property for game development.

Jim Eisenstein (jim.eisenstein@casualconnect.org) is currently the Creative Producer Digital Media & Gaming at Hasbro, Inc., including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. Jim has been in the industry for more than 25 years as a game developer, designer, and executive project manager with a focus on casual and mobile games.

Jason Turner (jason.turner@casualconnect.org) is Director of Interactive, Americas, Fremantle-Media Licensing Worldwide. In this role, he oversees the on- and off-air interactive activities of FremantleMedia throughout the U.S., including brands such as *American Idol, American Inventor, Family Feud* and *The Price is Right*. Mr. Turner is responsible for establishing and generating new business opportunities through licensing and sponsorship while effectively building brands and monetizing those brands for new media.

Kevin Richardson (kevin.richardson@casualconnect.org) is a consultant in the entertainment business. Kevin was the Executive Producer over the *ClueFinders* series and numerous *Reader Rabbit* games while at The Learning Company/Mattel Interactive, and spearheaded outbound licensing for books, music, and television on a variety of brands. Before that, Kevin ran the German wing of the European Studio Grouping PALOMA, developing and localizing animated content for the German television market. He has produced over 30 "E" rated games, contributed to five feature films, and overseen animation production at home and abroad.

Mike Cavaretta helped Kevin fact-check the article and is a licensing and videogame lawyer at Boston-area law firm Morse, Barnes-Brown & Pendleton.

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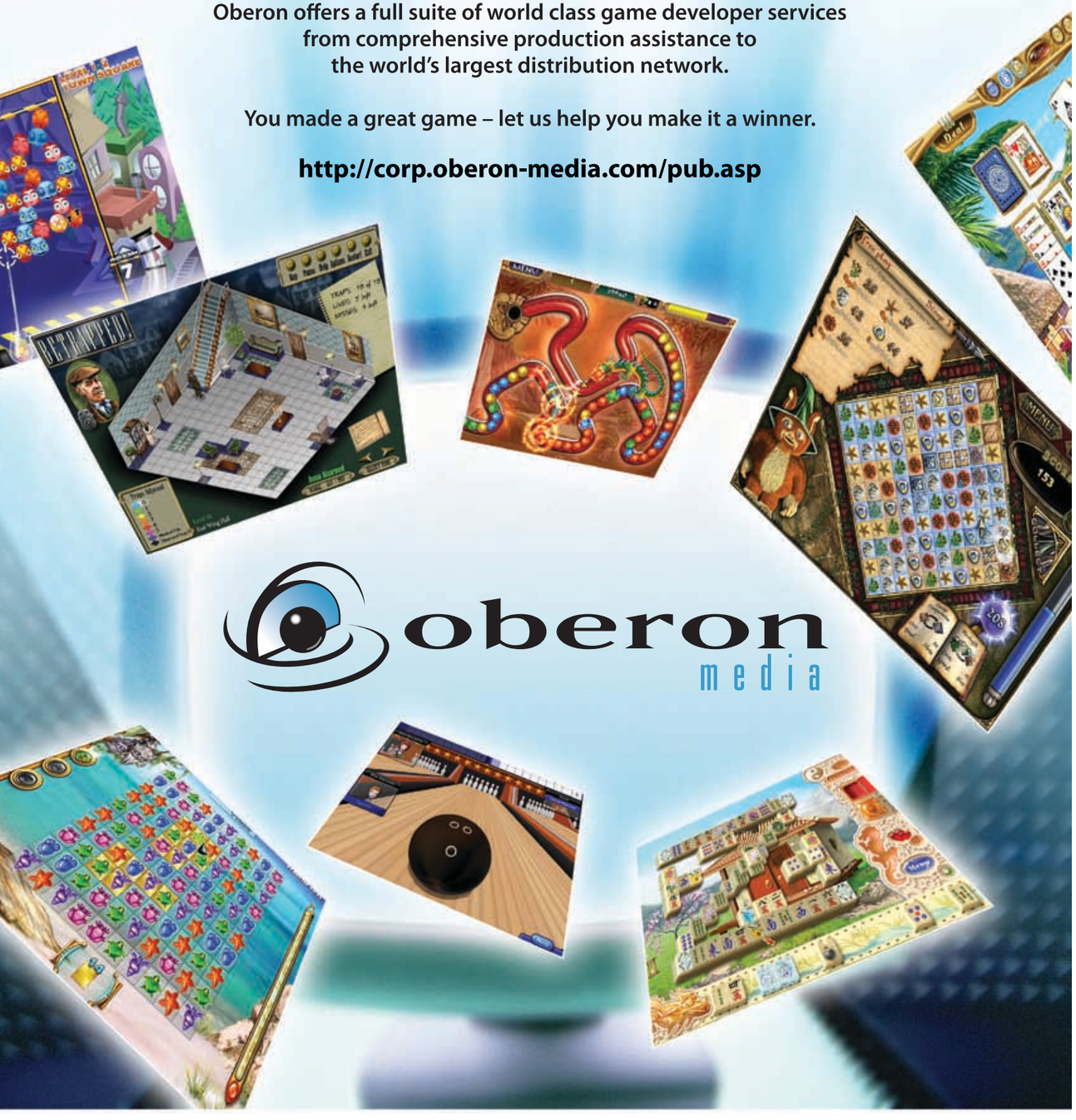


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# A Survey of Casual Games Business Models

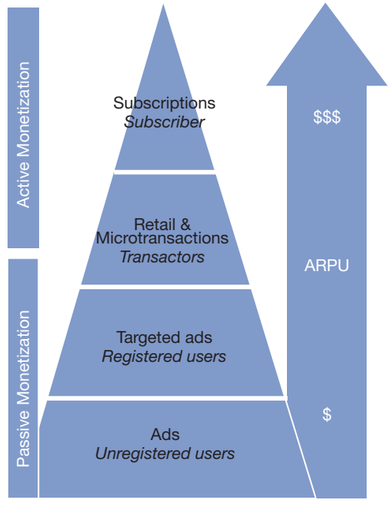
## Opportunities for Developers and Publishers

Vladimir Cole, Jonathan Bankard, & Andy Peterson

*While we spend most of our time talking about nitty gritty details in the casual games space, it is often good to take a step back and review the industry from a high level. Occasionally it's good to organize what you know in a way that provides a more cohesive and complete picture than you might get from day to day. This high-level analysis of the casual games space was performed by Microsoft Casual Games for this issue of* Casual Connect. *Please note that this analysis reflects the Microsoft perspective and may differ slightly from information presented directly from the Casual Games Association.—ed.*

### Overview

This article provides an overview and introduction to casual games business models with an emphasis on developer and publisher opportunities. Though these more traditional software development and publishing opportunities generate the bulk of industry revenues and profits, they're not necessarily the most profitable lines of business. The attached industry map provides brief insight into the context for the core models and outlying opportunities within casual games.




Game business models can be thought of as a pyramid: at the base of the pyramid are the mass of customers who play games but haven't yet pulled out their wallets. These consumers nonetheless enjoy playing games and can be passively monetized through advertisements. Some subset of this group will be willing to "register" (in order, for instance, to save high scores or engage in community features) enabling more highly targeted advertisements. A smaller percentage of consumers ("transactors") will proceed to actively purchase games or virtual game objects, while even fewer will enter into recurring billing relationships (subscriptions). Frequently business models will overlap: For instance, the virtual objects that a player chooses to purchase for a given game may also include product placements.

### Advertising-Supported Games

Developers and publishers create games that command the attention of consumers worldwide. Advertising agencies and their clients need a bit of that attention and are willing to pay for it. Games, in particular, deliver an engaged, active audience.

In brief, there are four ways to monetize games through advertising.

1. In-game advertising appears in the middle of the game experience. Firms including Double Fusion and Massive work with developers and publishers to insert dynamic advertising "containers" into games. These containers can then be filled and refreshed as ad sales teams sell these virtual spaces.
2. Around-game advertising doesn't appear inside an experience but instead appears around, on top of, before, or after the game experience. Games might be framed with standard-sized advertising banners and towers. Short, pre-roll advertisements front a game experience (with video or static images) while post-roll (bumper) advertisements end it, like a caboose. Advertisers are also fond of interstitials (mid-experience commercial breaks).
3. Product placement is more subtle than either of the first two options. Instead of a standard ad format, products themselves (such as a can of Pepsi or a t-shirt featuring a corporate logo) might be placed into games as items a character uses. Additionally, gamers might be given the option of purchasing Nikes or Pirellis for their avatars or cars instead of generic shoes and tires.
4. Advergames are games that serve as advertisements. Burger King, Toyota, and the U.S. Army are just a few of the entities that have commissioned games to drive brand awareness, brand engagement, and consumer preference.

***Strengths***

- They're Dynamic: Print advertisements don't change. In-game or around-game can be changed on the fly, enabling better targeting and fresher campaigns.
- They're Interactive: Game advertising firms cite research that consumer memory is aided by interacting with an advertisement, a benefit that can be expected to translate into higher sales.
- They Overcome the Payment Barrier: Rather than require gamers to plunk quarters into a slot or enter credit card information into a form, advertising gives game developers and publishers the opportunity to monetize game attention passively. With conversion rates of traditional casual games hovering at between one and two percent, advertising offers an opportunity to monetize the other 99% of consumers who aren't willing to pay directly for the pleasure of gaming. According to research from eMarketer, in-game advertising is projected to grow at 23% per year to nearly $2 billion by 2011. Like other forms of media content, games also stand to grab a share of the $600 billion worldwide advertising market

# A Survey of Casual Games Business Models

## Opportunities for Developers and Publishers

as advertisers chase audiences that are increasingly tuning in to newer forms of media.

***Weaknesses***

- Gamer Backlash: Push-back from players is a very real worry. Many gamers feel that ad supported products should be cheaper (or even free). Clumsy advertising placements can also disrupt the game experience (by being too invasive or by jarring gamers out of immersive fantasy).
- Furthermore, some games will never be well-suited to advertising. Immersive, fantasy-realm role-playing games will likely never be appropriate for anachronistic advertising of modern products.

***Long-term Viability***

The advertising business rises and falls with the macroeconomic cycle, and therefore it is somewhat risky. However, the flow of advertising revenues online has increased the viability and strength of this means of monetizing all applications (not just interactive entertainment).

***Model Variations***

Beyond the models described above, those who'd like to monetize their game products through advertising should also consider whether they're seeking high- or low-CPM (cost per 1,000 impressions) advertising. Some forms of targeted, online video advertising may near $100 CPM, but chasing high-CPM advertising often requires investment in a dedicated ad sales force, advertising-targeting and -serving technology, and other investments that may not make sense on a smaller scale.

CPMs tend to vary positively with reach (the larger the group of consumers reached, the more an advertiser is willing to pay), with targeting (marketers will pay more to reach specific demographics or psychographics), and with richness (in general, the more graphically and aurally rich an advertisement, the more advertisers are willing to pay to expose consumers to it).

## Retail Games

Retail involves the sale of games, one by one, to consumers. As opposed to wholesale operations (the bulk sale of games at a discounted price to an intermediary), retail consumers generally purchase a game for their own use or (more rarely) for giving to a friend or relative.

Retail further breaks down into physical brick-and-mortar retail locations and digital portal and website retailers. Physical retail tends to be rare in the casual games industry, but that may be changing. Emboldened, perhaps, by the success and growth of the casual games industry—including the surprise success of the Nintendo Wii and the runaway success of the Nintendo DS— the majority of the large publishers are increasingly venturing into retail channels previously dominated by hardcore fare. GameStop tends to dominate game retail, but other retailers including Amazon.com, Wal-Mart, and Target have capitalized on the broadening interest in games by expanding shelf space dedicated to all-ages content.

Because casual games tend to consist of smaller digital signatures than their multi-gigabyte hardcore cousins, they're easier to distribute digitally. The realm of digital retail is diverse and full of experimental models, but the bulk of transactions occur at major casual portals such as Yahoo! Games, RealArcade, and MSN Games.

Inevitable audience fragmentation, however, has resulted in the emergence of specialty online stores. Some of them are dedicated to the products of a single developer or its affiliates (PopCap.com, for example), while others are dedicated to specific genres of games (Steam, for instance, specializes in core PC games, while GameTap's immense catalog is relatively strong in retro fare).

As the online games business matures, the trend of audience fragmentation can be expected to continue as it has in other media: from one town paper to a global panoply of news sources; from three network television channels to thousands of satellite-delivered channels; from a few dominant portals to an embarrassment of niches.

This fragmentation presents a distribution challenge to developers and publishers who want to expose their games to the universe of potential buyers. They therefore seek to place their games with a wide variety of online partners. This change in the retail game means that developers and publishers need to pay increasing attention to the distribution and merchandising of their products on the crowded virtual shelves of games e-tailers. Aggregators such as Boonty, Oberon and Macrovision/Trymedia have emerged to help simplify the e-tail distribution challenge.

***Strengths***

Broad Audience: According to the Casual Games Association, over 200 million people enjoy playing casual games and will spend over $2.5 billion on them in 2008. This mass of consumers represents a tremendous opportunity for developers who can create interactive entertainment that has mass or niche appeal. Retail represents a channel for getting games in front of people who are willing to pay for them.

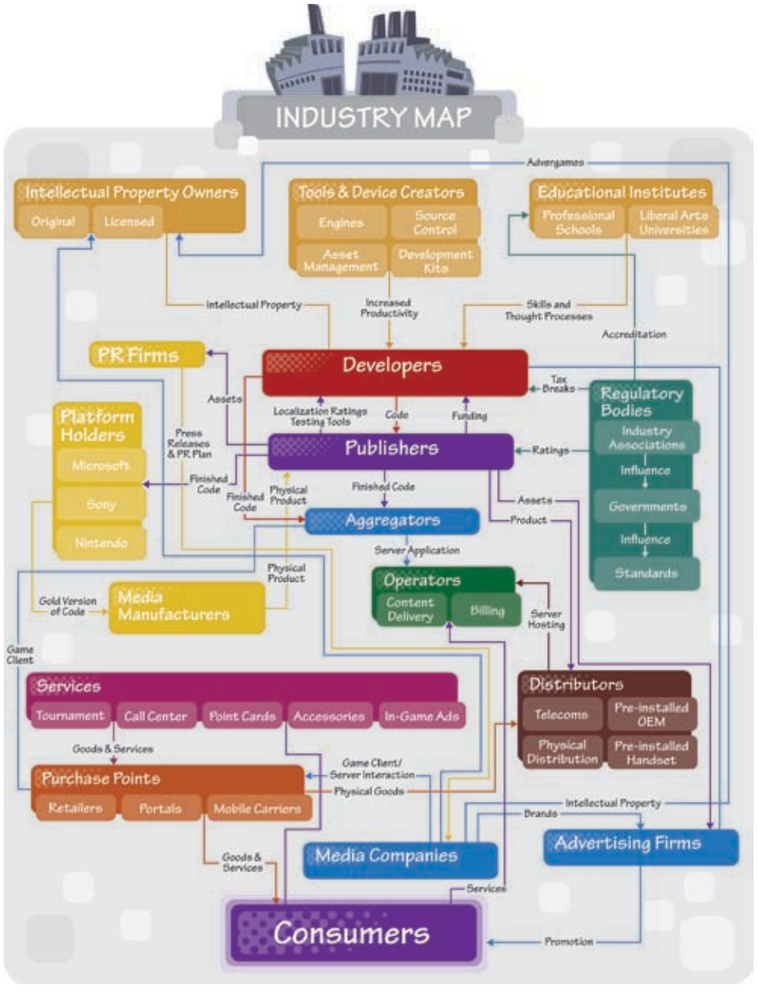
***Weaknesses***

The Challenges of Retail: Physical retail can be logistically complex and brutally competitive. Even once a firm's games have completed the journey from duplication facility to distribution facility to retail shelves, there's no guarantee that customers will see them. Premium shelf space at eye level and near the point of sale is at a premium; products that don't sell are quickly bumped for products that will sell. Retailers need to stock fast-selling inventory and are often unwilling to take a gamble on lesser-known brands or unknown (but innovative) genres, preferring instead the sure bet that will keep money flowing in and the lights on.

Online retail is no less competitive. Industry-average conversion of trial users to customers hovers at around 1%: On average, only one out of 100 potential customers who download a casual game will actually pay for a full version of the game. Furthermore, the sheer variety and volume of distribution channels available requires that management rank and prioritize distribution efforts systematically so that the right games are placed in front of customers with the highest propensity to pay for them.

***Long-term Viability***

Pundits have long-predicted the death of physical retail, but GameStop's recent entrance into the S&P 500 proves that retail is a growth market that will be vibrant for the immediate and foreseeable future. Savvy developers and publishers are running towards rather than away from physical retail.




***Model Variations***

Online retail has come to mean more than just making sure a game is listed on the top five casual games portals. Games are now distributed to iPods and iPhones via iTunes, to brand new PCs prior to sale, to affiliate distribution programs, to digital distribution platforms such as GameTap and Steam, and to alternative platforms such as Yahoo! Messenger and Windows Live Messenger. Developers and publishers who have invested in building a brand name and a destination website are also able to keep more of the revenue from a sale by cutting partners out of the developer-customer chain and going direct to consumer.

## Subscription Services

Subscription services are modeled after similar services in other entertainment sectors. For a regular fee (usually monthly, quarterly, or annual), the subscriber is allowed unlimited access to premium content, usually in the form of deluxe downloadable games.

Revenue sharing with developers and publishers whose titles are offered within subscriptions vary between vendors, subscription type, and platform. The most common means of assessing revenue are based on relative time usage (how much time a player spends playing each game in the service) or the number of game starts for each particular game.

***Strengths***

Only a small portion of the people who play games online purchase more than one game via the dominant trial-to-purchase model. Subscription services can remove create additional, ongoing revenue streams in addition to the single purchase framework.

***Weaknesses***

Subscription services require maintenance as players need new games added on a regular basis to keep them engaged. Furthermore, customers willing to pay for subscription products may be the same customers who like to play

# A Survey of Casual Games Business Models

## Opportunities for Developers and Publishers

the latest releases, making pricing of the service a challenge.

Additionally, some players subscribe only to find out over time that they aren't spending enough time playing subscription games to justify the monthly expense. Account cancellations and churn can be high if the service lacks compelling, ongoing value.

***Long-term Viability***

Good. However, the ongoing challenge of any subscription service lies in maintaining its perceived value to its subscriber base.

***Model Variations***

- All You Can Eat: As used by the MSN Games and GameHouse service, GameSpring, subscribers pay a fixed amount per month, quarter, or year in return for unlimited play of all the deluxe games in the service. In order to keep playing games, the customer must keep the subscription current. New games are added regularly.
- Game of the Month: Similar to the Book or CD of the Month Clubs, subscriber pays a fixed amount each month in return for getting one (or more) games. Often, additional games can be purchased at a discount.
- Premium Membership: Many online services provide premium subscription memberships through which (for an additional fee) subscribers receive special privileges, such as extra storage space for virtual objects, advance access to new games, specialized game-play, and limited-time content.

## Virtual Object Purchases

Gamers purchase one-off items to enhance the game experience. Examples include avatar clothing and accessories, car decals, themes, and new maps.

***Strengths***

- High Margin Model for Developers: The most expensive part of game development is the initial product launch. Downloadable content treats the existing game's customers as an "install base" and treats the game as a platform. Adding additional content to a pre-existing engine leverages the investment in the game and further monetizes customers who have already made significant investment in the core game. In short, add-on content should be cheaper and more profitable than building a whole new game.
- Reinvigorates an Old Title: New content can bring people back to a title that had been finished. It can also bring in new consumers.
- Price Discrimination: Digital objects give gamers the ability to control their purchasing experience by presenting options for content they may or may not want. Gamers with higher willingness to pay will be able to spend more. Previously, these consumers would simply buy a different game.
- Team Morale: Valve's management has stated that downloadable content can be a welcome break and boost to team morale after the time intensive development processes associated with core titles. With shorter, more manageable lifecycles, downloadable content doesn't wear on development teams in the same way. It's also an opportunity for teams to reinsert features that were cut to make a ship date.
- Customized for Customers: Feedback helps developers deliver a more compelling experience by giving gamers what they ask for post-release.

***Weaknesses***

- Payment Methods: Margins are eroded by credit card transaction fees. Some platforms minimize such costs by requiring the purchase of larger blocks of points.
- Consumer Confusion: A large catalog of digital goods can create a paradox of choice in which consumer anxiety over making the "optimum" purchase undermines the joy of gaming.
- Payment Preference: Gamers may be sensitive to being "nickel and dimed" for content that they feel should have been included in the core game. Some consumers simply prefer to pay a fixed price for the whole game.
- Complexity: When the number of digital SKUs multiplies, so do customer service issues. Digital objects require new policies. How should trading or selling of items between players be handled? If grey markets emerge, how should they be handled?

***Long-term Viability***

In an ideal world, this model removes all deadweight loss from the economic transactions of a game. Every player pays exactly what he or she is willing to for the experience.

***Model Variations***

*KartRider* is strictly based on digital object sales. The game is free, but players purchase add-ons such as weapons and decals to enhance the core experience.

*WebKinz* offers a neat twist by allowing a real world purchase (of a physical toy) to enable a digital world purchase.

## Skill Gaming

The outcome of games of skill (as opposed to games of chance or gambling) is determined by a player's skill rather than by pure chance. This distinction (and the implementation of it) is critical, as the legality of skill-based gaming depends on it. Even so, legal issues differ greatly by region.

The key difference between a game of Poker that one might play on a non-skill gaming destination such as Xbox Live Arcade and on a skill gaming destination such as King.com, WorldWinner, or GameDuell is the opportunity to compete for real cash. Players pay actual money (stakes range from pennies to thousands of dollars) to join a "tournament" comprised of other players who have also paid to join the tournament, and all of the players compete for the collected stakes. The tournament organizers keep a portion of the entry fees to cover their administrative costs plus some margin.

***Strengths***

- Standardized IP: Though almost any game title can be converted for use as a skill game, the most popular skill games tend to have well-known play mechanisms. For example, the most popular variant of poker (Texas Hold 'em) is a well known, well defined variant of poker that has reached a level of standardization and ubiquity. As a result, development of such games can be greatly simplified (no extensive play-testing of the rules of play is necessary). Furthermore, such games tend to be readily available for license or purchase.
- Existing Market: A significant population of avid gamers show demonstrable willingness to engage and compete in skill-based gaming.

***Weaknesses***

- Regulatory Threats: Because of its proximity to gambling and because of the moral and political debate surrounding such activities, regulations that govern skill-based gaming are complex and vary widely by country and region within countries. These regulations are prone to change at any moment, sometimes with dire consequences for companies (and employees) involved in providing skill games.
- Fraud: Real money increases the attractiveness of skill games for hackers and cheats. Creating a safe, fair gaming service requires significant investment into technology, fraud prevention, and customer service.

***Long-term Viability***

Playing for money may be one of the world's oldest industries. Internet technology makes it easier for players to match up with and play against others who also enjoy this centuries-old past-time. Where there's consumer desire to play, there should be opportunities to profitably serve that desire.

## Pay-per-play

Pay-per-play maps a game session to a cost. In classic arcade games, a quarter purchased one game session. This model can also be extended to a more direct pay-per-unit-of-time model in which a payment (from pennies to dollars) purchases a portion of play time (from seconds to hours or days)—much like a video rental.

Though players who anticipate playing a game regularly will almost always ante up for the full purchase price, players who are unsure of whether they'd like to play a game for hours on end tend to shy away from a $20 purchase. Pay-per-play solves this dilemma by offering a low-risk trial. Game providers win because they're able to make money from players who would have normally just walked away from a $20 purchase.

WildTangent (through their WildCoins system of micro-payments) is one leader within the realm of pay-per-play, taking the arcade model to the internet by selling packs of virtual coins.

***Strengths***

- Flexible Pricing: Players pay only for what they use. As customer willingness to pay is more closely matched to products, more exchanges of goods for dollars are enabled. This should increase net revenue, though cannibalization (described below) is a concern.
- Accessibility: With proper micro-payment infrastructure and distribution in place, pay-per-play makes games more accessible. If anyone, including younger children, were able to take $10 to a convenience store and purchase a stored-value card for 1000 points, games would become accessible to a segment of the population that is unwilling or unable to use credit cards.
- Try Before You Buy: This model can also be used to supplement or replace the common hour-long trial that typically accompanies digitally-distributed casual games. For example, rather than force a hard cutoff after one hour of play, price-sensitive consumers could be given an opportunity to purchase additional playtime in smaller increments.

***Weaknesses***

- Cannibalization: Some portion of players who had been paying full retail for games might forego paying $20 for a full game and might instead defect to the pay-per-play model, cannibalizing sales of the more lucrative $20 offer. More careful analysis of the full impact of cannibalization effects is warranted prior to fully embracing pay-per-play.
- Consumer Comfort: Some players just don't like having to pay for every minute they game. Constant reminders that minutes are ticking away can be distressing. Companies should study the way in which cellular providers provide "buckets" of minutes (and offer provisions for "overtime") to maximize both consumer comfort and firm profit.
- More Complicated Purchasing: Many pay-per-play models have a retail component to purchase the currency of the game. This adds another step to the value chain, and creates further possibilities for confusion and increased customer support. Furthermore, the logistics of supporting physical distribution of point-cards to a variety of retail partners can be complex.

***Long-term Viability***

Pay-per-play represents the opposite of an all-you-can eat subscription service and may be the best opportunity for monetizing consumers who can't be monetized through traditional models.

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# Micro-payments to the Rescue

## Designing Billing for Online Games

Nils-Holger Henning

As mentioned in Paul Heydon's article in the Summer 2007 issue of the *Casual Connect Magazine,* Bigpoint GmbH has had success in the use and development of micro-payment methods—which at this point have been integrated into 26 long-running, browser-based online games. As a follow-up to Paul's article, we have been asked to provide more detail that might give others in the industry ideas for implementing micro-payments into their own offerings. At the same time, we'll share some things that we have found important in designing billing systems, and we'll demonstrate the potential of micro-payments outside of the stereotypical Asian and Russian markets.

### Billing Systems

While most online businesses favor traditional methods of payment (by debit or credit card), these methods reach their limit of effectiveness any time the transaction costs exceed the value of the goods sold. For purchases with minimal merchandise value—as in the sale of virtual goods—innovative alternative methods of payment, such as micro-payments, need to be developed. To maintain customer experience these transactions must be quick, direct, and as easy-to-use as cash or credit cards.

*In addition to special ships,* Seafight *offers players can also purchase ammunition for their cannons or special sails which increase ship speed.*

The requirements we have found vitally important for a well functioning micro-payment system include:

- A high degree of security
- Ease-of-use
- Uncomplicated hardware and software requirements
- Anonymity
- Protection in the event of damage or loss
- Quick receipt of goods
- Minimal disruptions in service
- Protection from misuse
- Attractive transaction costs
- Reasonable costs for implementing the service

One important note is that often the biggest hurdle to gaining a customer is getting them to pay at all, so just because small amounts of money are initially involved in the transaction, any payment system must support the customer's disposition to buy by eliminating or minimizing any potential hurdles a first-time customer might face. Positive purchase experiences are vital to encourage consumers to continue using micro-transactions.

### Bigpoint Case Study

Bigpoint's approach allows players to play 26 online games in 10 languages for free with the option of purchasing virtual goods or premium game features for very little money. Bigpoint has over 11 million registered users purchasing virtual equipment and consumer goods via micro-payments, with hundreds of thousands of micro-transactions carried out each month.

Bigpoint generates its primary revenues through the sale of virtual goods inside of long-running online games, with the obvious advantage that new or promotional virtual items can be made available to customers directly and quickly with minimal noteworthy production costs. This keeps the service new and interesting for players without the need to design

> "Positive purchase experiences are vital to support a continued willingness of the consumer to use micro-transactions."

a new level or offer a new game. Since the games and shopping system are all browser-based, the selection of goods can be updated quickly, adjusted on the fly to align with the wishes of the users. In this straightforward way, the game experience can be customized for each customer.

This approach has many advantages, not the least of which is the simple integration of brands and promotions. For example, with minimal cost to the development team, the pirate adventure game *Seafight* might offer for purchase a special edition ship to coincide with the release of the movie *Pirates of the Caribbean*. Because of the virtual nature of such a promotion, the brand receives high-quality, immersive exposure without the high production costs (and poor ROI) which might otherwise keep the promotion from ever proceeding beyond the concept phase.

From a consumer's perspective, the experience is one-system-fits-all, as all of these virtual items can be acquired for just a little bit of money—in increments to fit any bank account. Since players have the option of spending more or less money depending on their individual budgets (as opposed to a more conventional single-purchase-price model), the system tends to maximize the value of each customer, to great effect: currently the average user

## Micro-payments to the Rescue

### Designing Billing for Online Games

at Bigpoint invests more than the average user at *World of Warcraft*.With the many payment options available to consumers, account funding must support a wide range of options. Telephone banking makes it easy for the *Mafia 1930* boss, *Seafight* pirate or an up and coming *Top Model* to make a purchase: One call is enough to bring the account back into the black, with the charge appearing later on the player's telephone bill. Bigpoint is now expanding the billing system to include an EasyClick account which retains profile information on each buyer to simplify future transactions.

Other micro-transactions can be made by linking to popular methods of payment such as PayPal, T-Pay, Webcent and others—well-known payment methods which have already earned the trust of consumers. As for international transactions, innovative payment integration systems already have been developed to make it easier for foreign players to make payments directly, quickly, and easily.

#### Multiplayer Liquidity

Multiplayer liquidity—the number of people available to participate in the community via chat and online play—plays a vital role in the success of any community game, and it plays an essential role in the proliferation of online virtual currency as well. The more people who use a particular virtual currency, the more vibrant the virtual economy and the community within which it operates. It's one of the reasons why micro-transactions are becoming an increasingly important component of many portals' growth strategies.

Integration of this white-label, turnkey system has been so successful that big TV stations (for example, Pro7, RTL, MTV), Internet portals (Web.de, Yahoo, AOL) and print media (Bild, Focus, TV Movie) have all integrated Bigpoint games into their web portals. This Triple-Win-Principle (content, community, and monetization) functions so well internationally that the game portal has already been translated into 10 languages, and international media partnerships are already in existence in Russia with Rambler and in the United States with WildTangent).

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# Making Money Off of Free Games

## Using Micro-transactions to Monetize Free MMOs in Russia

Alisa Chumachenko

In recent years the terms "micro-transaction system" and "micro-payments" have been floating around a lot all around the world. The success of such systems on the Asian game market and the possibility of their implementation in games in Europe and North America have been wildly discussed by many involved in the game industry.

So what does a micro-transaction system actually mean and why has it proven to be so successful in both Russia and some Asian countries? Basically, a micro-transaction system is a business model used for free-to-play online games that allows players to purchase different in-game items at a very low price. Since the items are cheap the payments for them are small, people aptly began to call these transactions "micro-transactions." To understand the reasons why this model has proven to be so successful we will have to take a look at what a free-to-play game really means.

### How has the micro-transaction system been implemented in "free-to-play" games in Russia?

It's obvious from their name that you pay nothing to play a free-to-play game. But if you want, you can purchase in-game currency and a great variety of extra in-game items and abilities for a very low price, thus allowing your character to progress faster in the game and/or look different from all the other characters who play for free.

Since the free-to-play game model has been very successful in Korea it is often referred to as the "Korean Model." However, in Russia we call it the "Russian Model" because competing models, including subscription and trial-to-purchase, maintain insignificant market share in comparison to free-to-play in Russia's online game market. In fact, approximately 93% of all Russian massively multiplayer online games use the free-to-play model.

In 2007, the size of Russia's free-to-play game market was estimated at $70 million USD and the number of Internet users in Russia exceeded 27 million people, five-to-six million of whom play online games.[1] About 10%–30% of the users who play free-to-play games two times per month or more make in-game purchases.[2]

In 2007, IT Territory earned over $20 million (USD) using the micro-transaction system which has been successfully implemented in all its free-to-play online games (www.dwar.ru, www.territory.ru, 3k.mail.ru, drive.mail.ru etc.).

### What's so special about free-to-play games that make players pay when they could just play for free?

Players who engage in subscription-based games have to pay before they start playing. This causes many players to feel as though they have already paid "enough" for the experience. The goal of the developers of subscription-based games is to create a level playing field so that the players feel the game is fair to everyone. If the developers were to offer in-game items for sale it would break the balance of the game allowing those who spend more to crush the normal subscribers, causing the normal subscribers to feel cheated and alienated by the inequality in game-play.

Shares of Different MMO Game Models on Russia's Game Market

> Would you pay $1 USD for this magic crystal? No? Well right now a few million players worldwide are doing just that!

In free-to-play games, players do not need to put money down before playing. After they become involved enough in the game, players will desire to perform better, to edge out the competition, and to give themselves a unique appearance to stand out from the others. Thus motivated, players will begin to make purchases of game items because of their low cost and the fact that they won't feel as if they have "already paid" as in the subscription-based model. Although it is possible to "earn" most items without purchasing them, it is time-consuming—and most players will be willing to pay the minimal costs to save time.

Lets' take a look at what you can sell to players in a free-to-play game:

- **Game Currency** is the first thing players buy in the game—because without game money they can't purchase any in-game items. Due to the structure of the game, players will eventually need to fill their character's pockets with game currency in order to progress.
- **Power-ups** and **Limited-Use Items** are the second most popular category of game items that players buy in the game. These are finite enhancements and items that can be used only once or a few times until they run out and must be purchased again. These include things like special potions and magic scrolls that can have devastating effects. Though they

[1] *Entermedia Statistic Researches* [2] *IT Territory Statistic Researches*

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may only work once, players do not hesitate to buy them due to their low cost.

- **Rare and Unique Items** are very popular among players who are really involved in the game and want to look different from other players. These items include either one-of-a kind or extremely rare and powerful items that can only be acquired by purchase. As a result, acquiring such items can give paying players a major edge over their non-paying competition.

### How did the practice of selling in-game items for actual currency get started in Russia?

The first Russian browser-based MMO game was developed and launched in 1999 by a group of programmers who did it for fun with no intention of gaining any profit. The game became very popular and for quite a long time it could be played absolutely for free. At one point the players suggested that the game administration should sell different items and abilities to those who were willing to buy them. Ironically, then, the idea of monetizing what was previously free came from the players themselves rather than from money-hungry entrepreneurs.

Eight years have passed since those early days and today we can say that in Russia the micro-transaction system has proven to be the most successful payment model for MMOGs, and the situation is unlikely to change in the next three-to-five years. For the next few years, free-to-play games are likely to occupy the largest share of Russia's MMO game market.

### What are the possible reasons for the success of the micro-transaction model in Russia?

It has been said that the majority of Russians don't plan their purchases. Moreover, Russians on average don't like to pay for anything if they are not sure that they will use it. Russians have a similar attitude towards games: They are unwilling to put down money on a game they haven't even played yet or are not sure about. At the same time, Russians can be quite emotional and prone to making spontaneous purchases. Generally if Russians feel the desire to purchase something and the price seems reasonable they will make the purchase without hesitation. The micro-transaction system works well in many countries but thanks to the Russian mentality it has proven to be even more successful in Russia than in any other country.

**Some Statistics on IT Territory's MMO Games**

| | |
|---|---|
| Percentage of the players who make in-game purchases… | 10%–30% |
| Average amount that a player who makes in-game purchases spends per month… | $30 USD |
| Average amount of one payment | $1–$5 USD |

**Based on IT Territory research*

### Will the micro-transaction system work for multiplayer casual games?

All the transaction tendencies that have so far been discussed are true for both hardcore MMOGs and casual multiplayer games. Though currently there are not many casual multiplayer games on Russia's market, the micro-transaction system is most likely to work as well for them as it does for MMORPG's. For example the micro-transaction system has been successfully used as the main payment method in many online multiplayer casual games in Korea and China.

IT Territory was the first company on Russia's game market to launch a browser-based multiplayer online casual game called *The Bugs* in 2005 (http://zhuki.mail.ru/ ). It's a game in which you become the coach of a team of cute little bugs: They take part in different types of races and swimming competitions and pursue unique quests. In return you have to feed them, heal them if they get injured, train them, etc. With the money you get when your bugs win competitions (or with real-life currency) you can purchase food, medical kits, clothing and other equipment for your bugs.

### Is the conversion rate better in trial-to-purchase or free-to-play models?

Today the trial-to-purchase model is quite popular in the casual game markets of Europe and North America. On average out of every 100 downloads only one or two users actually purchase the games. In our experience, by contrast, up to 30% of those who play free-to-play games will make some sort of micro-transaction purchase.

### Summary

- Almost all Russian free-to-play games utilize the micro-transaction system.
- The micro-transaction system is a method of making profit by offering in-game items at minimal prices in free-to-play games.
- People enjoy this model because it allows them to try the game for free and then to progress through it faster by making low-cost purchases of items.
- Based on its usage in MMO games, the micro-transaction model is likely to work well for casual multiplayer games in Russia.
- The conversion rate of free-to-play games is much higher than that of trial-to-purchase download games.

Alisa Chumachenko is Marketing Director for IT Territory and V.P. of Business Development for IT Territory Casual. Alisa has worked for IT Territory since it was founded in 2004. Focusing her main efforts on business development she has a profound knowledge of the Russian game industry, distribution, licensing, and online advertising. She has also played a very active role in the development of the casual game branch of IT Territory. Alisa can be reached at alisa.chumachenko@casualconnect.org

# Remember Time Limits?

## What We Learned From In-game Advertising in 2007

Last year was the best year ever for the casual games industry, and we are predicting this year to be even better yet. Across the board, revenue, reach, and usage went up in 2007. One of the emerging themes of the year, and a big driver of revenue growth for most companies, was in-game advertising in one form or another. The year taught us a lot about the opportunities and challenges we face as we work to integrate this model into casual games.

The concept of in-game advertising seems to attract an increasing amount of press, with the overwhelming majority of the attention focusing on console games. Microsoft said at CES in January that it has shipped 17.7 million Xbox consoles to date and signed up 10 million members of Xbox Live Arcade. That is great, but with millions of games played each day on the PC, the console market really represents only a fraction of the reach available to in-game advertisers.

Different forms of in-game advertising are now available and everyone seems to be participating in one way or another. WildTangent has a unique and seemingly scalable product with WildCoins. RealNetworks has a rapidly growing in-game streaming video ad product producing strong video-related ad metrics. (Full disclosure: I helped build it.) MSN, Pogo, and Shockwave have produced quite a few games that have advertisers' products embedded directly in the game-play. Additionally, Sandlot Games is experimenting with branded avatars and alternate payment methods.

So why does in-game advertising work? At Real, we have found that users play ad-enabled games much longer than 60 minutes when given the option.What's more, advertisers are seeing a competitive ROI and game developers are sharing in the incremental revenue. This alignment of incentives and results is powerful indeed. At scale, you start to see revenue in the range of $1.00 per download compared to $0.30 with pure transactional models. Give the users the choice and they will play more frequently and for longer periods of time.

In-game advertising has taught us that there are greener pastures outside of our conventional 60-minute downloadable world. As the web becomes more social and user-centric, the casual games industry must follow (and preferably lead!). We need to look beyond time limits and strive for maximum engagement of our users. If we do this successfully and do not turn users away with limits, new business models will definitely emerge. Figuring out ways to break down our conventional monetization walls will create bigger opportunities ahead for everyone.

Here is to a more open and user-centric 2008!

Chris Houtzer

Chris Houtzer is Senior Director, New Media, RealNetworks

# Two Important Questions

## Things Every Developer Must Know to Make Money Through Advertising

Alex St. John

At WildTangent, we frequently meet with developers who are interested in boosting revenues through advertising—but have become cautious about the impact it might have on the gaming experience. With all the media hype around the topic, it's no wonder there is both excitement and caution.

If you are considering whether to implement an advertising strategy for your games, it's important to understand the distinction between "around-game advertising" and "in-game advertising"—because gamers certainly do.

Around-game advertising can take the form of anything from traditional banner ads to full-fledged pre-roll video ads. In-game advertising is advertising embedded within the actual game-play experience (such as billboards in a racing game).

### In-game Advertising

Seemingly incessant news reports citing grossly exaggerated revenue projections from some analysts have triggered such euphoria that otherwise sane individuals would have you believe that gamers actually like ads in games and that these ads enhance the game-play experience. But if you carefully look at the research this euphoria is unjustified.

The Parks Group did a survey recently which said approximately 20% of gamers would not buy a game that had advertising built into it. Much ado was made about the other 80% who either didn't care or had no opinion. But can you imagine what would happen to game revenues if 20% of gamers stopped buying ad-stuffed games? It's safe to say the revenue generated from the advertising would be dwarfed by the revenue lost—not to mention the immeasurable damage to brand loyalty.

To be clear, in-game advertising does have a place. It's something we and many other companies have offered and will continue to successfully sell, but only in a limited fashion in a handful of appropriate game genres like sports and simulation games.

### Around-game Advertising

What we've seen to be most popular for developers, publishers, advertisers, and gamers alike is making downloadable games free to the customer through around-game advertising.

While the benefits of free game play are obvious to the consumer, they aren't necessarily as obvious to the game developer. The biggest question I get from developers considering this model is, "How do I protect and even grow my existing game revenues if I'm giving the game away for free?" That is a fair question from any developer, particularly those held accountable by the public markets.

> "Advertisers are willing to pay 10 to 30 times the online monetizable value of a premium game to give it away free."

To developers who approach me with this concern there are answers to two simple questions that can make all of these doubts fade away:

**Question One:** ***What is the Potential Audience for Your Game if it Were Free?***

What no game developer knows is how many people who look at or pass by a game at Best Buy or Fry's don't buy it because they don't value the game at the price the retailer is selling it for. We know how many people bought *Halo 3*, for instance, but how many more people would have picked up a copy of the game if someone at Best Buy was at the door handing out free copies?

Or think of it this way: PopCap's *Bejeweled* is one of our most popular downloadable games. Like so many others, we sell it on our site for a retail price of $19.99. About 2% of those who play *Bejeweled* on our site pay the retail price to own the game. The other 98% play it for free. In other words, the free-play audience of *Bejeweled* is almost 50 times that of its paying audience. In fact, across our network of more than 450 games, we have found most games have a free audience that is 50 to 100 times that of its paying audience for an "optimally" priced game.

In-game advertising is advertising embedded within the actual game-play experience...

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Electronic distribution through major portals in North America, Europe and Japan
STEINKNACKER deluxe
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GLYPH
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Worldwide Game Publisher
www.merscom.com
To increase the revenue from your games through any or all of these channels, contact us today at:
submissions@merscom.com
+1 919.918.7741

**Question Two:** ***How Many Times Does a Person Play Your Game Before Finishing it or Moving on to Another?***

Once you know what your free audience is, you then must know how many times the average person is playing your game before either getting bored with it or finishing it. Knowing this can help you arrive at a per-play cost of the game, a cost you can either pass on to the gamer or to an advertiser willing to sponsor the game on behalf of the gamer.

Continuing with the *Bejeweled* example, we know that on our network the average player of *Bejeweled* plays the game about 80 times before moving on, making the actual value of the game approximately $0.25 per play to its paying audience (based on a retail price of $20). Since the free-play audience of *Bejeweled* (and most other games) is about 50 times that of its paying audience, then the value of each free play across its potential audience is about half a cent per session (that is, $0.25/50). That means that an advertiser could sponsor the game-play at a CPM of $5 ($.005 x 1000) and the developers would make the same amount of money as they would from selling the retail version to the 2% of its audience willing to pay for it. This math is essential to understand the online games business because advertisers are willing to pay 10 to 30 times the online monetizable value of a premium game to give it away free, provided the game is packaged in a way that enables the advertiser to sponsor it on a per-session basis.

You can do this math for any game. A successful game under this model is one that has a high replay value because the more plays it gets, the lower the per-play cost and the more advertisers will be interested in paying to sponsor free play. What traditional game publishers need to understand about taking their games online is that advertising is just an alternative payment solution for game-play that happens to work extremely efficiently once the developer can correctly transform a game's retail price into a correct CPM value for advertisers. Traditional publishers also often mistakenly believe that online distribution should be treated as an aftermarket for games that have outlived their retail shelf-life. The truth is that online distribution offers a means of getting paid to market a new game—at an extremely high return and low cost of goods sold. Traditional publishers, who are accustomed to the constraints of marketing in a boxed-game world where distribution costs make it impossible for games to market themselves, often waste this tremendously profitable and viral way to market new games.

### The Bottom Line

The vast majority of the developers with games on our network have seen tremendous growth in the size of the checks we send them every month—simply because they now know the answers to those two important questions.

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# Virtual Worlds

## The Next Casual Frontier

Kevin Richardson

You would be hard pressed to eat breakfast in the Silicon Valley without overhearing a conversation about the latest virtual world. And there's a good reason. Games sell. Communities sell. And venture capital follows the buzz. Bumping into Trip Hawkins, I asked him what his thoughts were on casual virtual worlds.

"The Wii is arguably the most successful casual virtual world. There is (also) a myth that you cannot make money with games on the web, and a perception that you cannot have a virtual world without 3D immersion. *Club Penguin*, anyone?"

### What Makes a Virtual World Virtual?

A virtual world is a computer-based simulated environment intended for its users to inhabit and interact using avatars. And to illustrate the breadth of Wikipedia's definition, *Club Penguin* promises "… a safe virtual world for kids to play, interact with friends and have fun letting their imaginations soar." Meanwhile, on the other end of the continuum, *Entropia Universe* touts "… the range of professions available to colonists on Calypso literally allow a participant to live a completely different life than the one they live in the real world." Demographics and themes aside, what sets these worlds apart is the degree to which the architects enable and encourage residents to part with reality, and become part of an alternative one.

### The Landscape

To research this article I've been a monkey, a roll of toilet paper, and a one-eyed space alien. I have dressed like a girl (the game made me do it!), had a transformer-thing flirt with me, and was horrifically killed by a multi-headed monster. Luckily I was also reincarnated (hooray for that!) so that I could continue spending gPotatoes, the currency of that particular world.

As points of reference, let's look at some mature virtual worlds with large communities along with some fairly new ones with just a handful of residents. Almost all combine community, games, some form of currency, and plenty of stuff to spend it on. Let's start with the most adult-centered one and finish up in kiddyland.

***Supple—www.supple.com***

*Supple* claims to be the only social interaction, human-scale video game whose virtual characters have enough intelligence to compete with human players. It's a single player trial-to-purchase game that marries *Sims*-like game-play with a TV show. In episode one, you play Arin, a young woman at a magazine competing for a promotion against a male colleague, an interesting predicament for male players. The world includes well developed characters, funny dialogue, and situations that will make you reach for your antiperspirant (especially if you don't like wearing women's clothing). *Supple* is one of those rare video games that features realistic, sitcom-like spoken dialog which occurs in real-time between characters. The Sims of *The Sims* "speak" gibberish, whereas the Virts of *Supple*—that is, the simulated human characters in *Supple*—speak real English dialog.

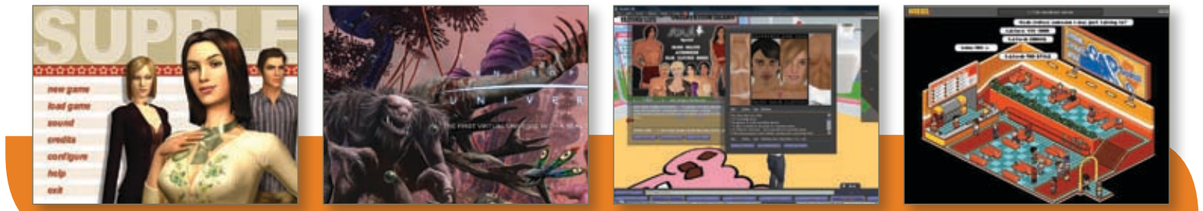
***Entropia Universe—www.entropiauniverse.com***

*Entropia Universe* entered the Guinness World Records Book in 2004 and 2008 for the most expensive virtual world objects ever sold. Since Entropia is a downloadable client, there are no strict levels within the universe, and it is not officially categorized as an MMORPG; however, it shares elements of MMORPGs in that skills and special items are central to the experience. The Entropia online community claims to have over 665,000 registered participants from over 220 countries, with the average number of players online at any one time being around 600. I particularly liked the character builder—although it forced me to run around in a pair of dirty long underwear until I bought myself some clothes. (At least they were men's clothes this time.)

> "What sets these worlds apart is the degree to which the architects enable and encourage residents to part with reality."

***Second Life—www.secondlife.com***

*Second Life* was launched in 2003. It was developed by Linden Research, Inc. (Linden Labs) and came to international attention in late 2006 and early 2007. The Second Life Viewer is a downloadable client that enables residents to interact with each other through avatars. I entered the world through Ben and Jerry's, flew around and then met up with some Residents with some very cool accessories. I soon realized that I could get another body if I wanted




*Supple* *Entropia* *Second Life* *Habbo Hotel*

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*Cyworld*

*Zwinktopia*

*gPotato*

*Gaiaonline*

one, depending upon what I wanted to do. The tools to create things, and the virtual property and services, were straightforward.

***Habbo Hotel—www.habbo.com***

Supported through advertising by some top brands (Disney, Adidas, Target), *Habbo* is owned and operated by the Finland-based Sulake Corporation. Aimed at teenagers, it combines the two concepts of a chat room, which is presented in the form a virtual hotel, and user profiles. To protect against pedophilia and bad guys, Residents who misbehave or break the rules can be reported and banned from the site for days, or forever. The service began in 2000 and as of July 2007, over 82 million avatars have been created worldwide and there are six million unique visitors to the Habbo websites around the world every month.

***Cyworld—us.cyworld.com***

MySpace meets Habbo, sort of. Or Gaia Online meets MySpace, but not really. Cyworld has been building its online world since 1999. It currently has members in the United States, China, Japan, Korea and Taiwan, and soon it will be bringing their world to Europe, South America and India as well. In *Cyworld* you create a version of yourself, or Mini-Me (like Dr. Evil's clone), set up a living room and change it whenever you want to reflect your mood. Write your profile. Keep up with your friends. Upload your photos, drawings and images—they give you unlimited storage so you can save and display as much as you want. No real theme here, except to connect, express, and hang out.

***Zwinktopia—www.zwinktopia.com***

Zwinky is currently advertised on social networking sites such as MySpace, along with television shows and networks which target young audiences. It is owned by IAC Search and Media and launched in June 2006. Quirky and viral, *Zwinktopia* allows players to create virtual versions of themselves and post them on blogs or anywhere HTML editing is allowed. Within this world Zwinkies can purchase dorm rooms to live in and decorate using items purchased with Zbucks or a Zcard, the Zwinky debit card. Zbucks can be earned by visiting areas and playing games within *Zwinktopia*, and by inviting friends to create their own Zwinkies. Zbucks can be also be added to Zcards using PayPal or a major credit card.

***gPotato—www.gpotato.com***

GALA-net is leading the virtual world charge by localizing games from Korea such as *Flyff* (Fly For Fun) and *Rappelz* for every market. The site includes free clients with stunning graphics, big, rich worlds, and plenty of stuff to entice players and keep them hooked. The single currency can be used in any of their games, including a driving game *Upshift Strike Racer* in which you can buy a decent car for around $42 and then soup it up with weapons and other cool stuff, as needed. All the worlds in GALA-net use the same currency, gPotatoes—a smart move as players can deposit money in one place and then enjoy many cool games.

***Gaiaonline—www.gaiaonline.com***

Gaia Online is an anime-themed forums-based website aimed at teens. Build an avatar, own and furnish a house, play games, and go to real movies with your friends. Originally named Go-Gaia, it was released to the public on February 18, 2003 by Gaia Interactive. Big-Boards.com reports Gaia is the largest forum on the Internet with over a million posts made daily, over a billion posts total, and over 2.5 million unique users each month. Gaia also won the 2007 Webware 100 Award in the Community category. Users of the site, referred to as Gaians, create a customizable avatar and a customizable virtual home for which they can purchase items using what is called Gaia Gold. This virtual currency is given to users after they engage in some of the website activities, like posting on forums or playing a series of Flash games (of which there are eight). The site also rewards users everyday with random quantities of gold. In October of the 2007 Gaia released a new kind of currency (called Gaia Cash) that can be bought at Rite Aid or Target stores.

***Neopets—www.neopets.com***

Set in the world of Neopia, neopets.com has over 45,000 players on line at any given time and over 224 million neopets created to date. It has its own economy, with neopoints as the smallest denomination. The virtual pet website was launched by Adam Powell and Donna Williams on November 15, 1999. Six months later, they sold a majority share to a consortium of investors led by Doug Dohring. On 20 June 2005, Viacom bought Neopets, Inc. for $160 million. With a simple avatar creator, 150 games such as *Itchy Invasion* and *Hot Dog Hero,* trophy rooms, boards and user generated content, it's no wonder the site is such a draw. Neopets also operates a pay-to-play Premium version for a monthly fee. Several issues with the site, such as immersive advertising, gambling-based games, and hacks and glitches have garnered criticism. Despite that, Neopets consistently ranks as one of the stickiest sites. Its main drawback as a "virtual world" is that you cannot see your character move around and interact with others in virtual space, which for some may detract from the fantasy. But who knows what's next?

*Neopets*

*Mokitown*

*Club Penguin*

*ZooKazoo*

***Mokitown—www.mokitown.com***

*Mokitown* is provided by Daimler (the German auto maker) free of charge and without commercials. With a look-and-feel similar to *Habbo*, this award-winning multi-player platform is the first global communication network aimed at teaching children about traffic safety. Children can meet each other to experience adventures and learn more about traffic rules. Children who move through *Mokitown* in a safe way earn points which can be traded in for extra privileges. This gives the city a very unique character. *Mokitown* offers children the opportunity to train for difficult situations without exposing them to real risk. It is also a lot of fun, since it brings across its message in such a playful way. High security standards ensure that kids can safely move through the virtual city.

***Club Penguin—www.clubpenguin.com***

Targeted to eight-to-14 year olds, *Club Penguin* announced last year that it had joined the Walt Disney Company. When it was started in March of 2005 by New Horizon Interactive, the founders set out to create an online world for kids in which they could safely play games, have fun, and interact. As parents and Internet specialists, the owners wanted to develop a place they and other adults around the world would feel comfortable letting their own children and grandchildren visit. By the summer of 2007, *Club Penguin* had grown to 700,000 current paid subscribers and more than 12 million activated users.

***ZooKazoo—www.zookazoo.com***

Targeted at six-to-12-year-olds, *ZooKazoo* is an online environment of imaginary and adventurous destinations where children can safely hang out, have fun, and make their world a better place. Unlike *Club Penguin*, there is curriculum hidden behind the fun in *ZooKazoo*. It's all about healthy personal and social development—taught not in a heavy-handed way, but rather through plain and simple fun, challenge, and the joy of learning and helping others. It features great art direction, animation, and audio, and a wide range of locations to explore. If the games are good (it's still in alpha and the games are "coming soon") this world is sure to be popular. There is great effort to make each transition a cinematic "cut" so as not to disrupt the illusion of physical space. The locations include a futuristic city, lagoon with a pirate ship, jungle, a tree house and storybook castle. Sound a little like Disneyland? Watch out *Club Penguin*.

## Meet The Builders

On my journey I was fortunate enough to bump into a few of the creators and custodians of these worlds who can provide some clues to where this is all headed. Joining us now are Jeff Segal from Supple, a try-and-buy episodic world, John Young from GALA-net, offering free worlds with micro transactions for stuff you'll need, Steve Hoffman and Eric Hayashi from Rocketon, the most "alpha" of the bunch, and Michael Carter, Chief Playwright and producer for ZooKazoo, a new world being born.

***What's the demographic for your world?***

**Supple:** It's overwhelmingly female with a skew towards the teens but it ages up pretty well, too. Currently, we've only been using adwords to market the game and our hottest keywords are definitely ones that teens would type in. The game is going to be distributed more widely soon so we'll be exposed to a wider age range and it will be interesting to see how our audience morphs—if it does.

**Rocketon:** Teenagers.

**GALA:** 72% of Gala-Net's registered users are 15–35, and about 88% of our users are men. This does vary by game: A friendly anime-style MMORPG such as *Flyff* skews more female and younger, while a more "realistic" game like *Rappelz* is more male and slightly older.

**ZooKazoo:** We're building it for girls and boys six-to-12 years old—our kids and grandkids.

***How do you compare your site with the current "casual" demographic and style of play?***

**Supple:** Well, as I mentioned, the game is really focused on a female audience, and we'll soon see how well we span the age range. In any case, even now, we have female fans in their 30s and 40s.

**GALA:** You said the C-word! I dislike using that term "casual" because to some it means a demographic, while to others it means a business model, a development budget, or a time commitment. We don't overlap much with the crowd at pogo.com, as our players will play for hours per session and commit 20+ hours per week to our games. Psychographically our players are in a different space as well. They're looking less to pass the time and more to socialize, achieve, explore, and sometimes kill their fellow players. However, given that the games are free and digitally downloadable, its incredibly easy to give any of our games a try. You can participate as much or as little as you like in our virtual worlds pretty effortlessly. In terms of accessibility, the "casual" industry has a lot to teach the "core games" industry.

**Rocketon:** We've included a lot of casual games from top developers, but we aren't targeting the traditional 35+ female demo. We're after a younger audience, 13–25, the

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type that spend a lot of time on Facebook and MySpace. That said, we're embedding some of the very best downloadable and Flash casual games into our virtual world, so it should appeal to a broad range of ages.

***What do you see as the main sticky components that bring your players back for more?***

**GALA:** It's the sense of community, and the other players who become your friends. Our games are easy to learn but hard to master, and we strive to give a pleasing progression through the games to people who never pay us a cent, as well as give appropriate benefits to people who choose to pay for various virtual items that will help them along. Balancing the two is tricky but essential if you want people to keep coming back. We're very actively running events and contests and adding new content so that there is always something new in-game.

**ZooKazoo:** Friends and games—a virtual place for friends to get together and games to play while they're there.

**Rocketon:** We're creating an environment filled with social games. Each of the games we're developing emphasizes a different way of communicating online. We have flirting games, chatting games, and trading games.

**Supple:** *Supple* is kind of a hybrid virtual world and game and to boot it's an episodic game. So, there's a number of things going on. First off, people get hooked by the characters, how they speak real English, as opposed to gibberish in other virtual world games. Then they get hooked by the game. Episode 1 consists of a week in the working life of Arin Costello and her cohorts at Supple Magazine. The player's goal is to get Arin the promotion to style editor before the week is over. We treat days sort of like levels in that you have to pass a performance review at the end of every day in order to get to the next day. The game is sticky in that you get involved in Arin's world. Oh, yeah, you can flirt with Hugh and if you have played the game well, he'll be attracted to you and things can heat up. Well, if you go to the website (www.supplegame.com) and take a look at the movie, you'll get an idea of where things can head. Just a hint: gifts and lingerie help things move in the right direction. Just a disclaimer: there is no nudity in the game.

***Please explain how the episodic content works and what's involved with creating it and releasing it to your users.***

**Zookazoo:** We will add games with new characters to those involving the panda, chimpanzee, and jaguar, then add fables, some facts, and concerns for their future to the quests. We'll also add a new level of complexity to each game on a regular basis. The former is research and writing, the latter is adding a stage to the xml configuration document for the given game.

**Supple:** Each episode will be a game unto itself. Right now we have Episode 1 up there and we're working on Episode 2. We've been listening to the players and taking a lot of their advice in terms of what to do differently in Episode 2. We look at the episodes like a TV series, sort of like a sitcom/soap opera. You play the lead role and in each episode, there will be a game goal and some new storyline. In some episodes we'll be introducing new characters, some will stick around and some will be just for one or two episodes. The trick is to make each episode stand on it's own but also be connected in some story and game-play way to the other episodes. For Episode 2 we're trying to implement systems to streamline the episode development process so we can keep that sense of continuity—too much time between episodes and people may lose touch with the characters and storyline.

**Rocketon:** We're continually evolving the virtual world in which people play these games. We're always adding new content in the form of "Bots." Bots are custom game servers that can be embedded into the virtual world and contain all the logic for a particular game. New Bots will be released continually, so the site will always remain fresh and engaging. The Bots will range from mini-games that take a couple of minutes to learn, to more complex interactive experiences. On our website, the Bots appear as Flash objects, so the player doesn't have to install them. This makes it very easy to release new content.

**GALA:** Some of our new content is player-focused, in that we're leaving the game basically untouched but holding events. Recently in *Flyff* we held auctions for certain rare items, and created a fun frenzy of bidding that went over well. Another event was when giant eyebats invaded the world and if players killed them and found a rare card and gave it to one of our in-game GMs, they received a prize in return. The focus here is creating player fun, and ideas bubble up from there about what we can do that will make it interesting for players. Other content reflects programming changes in the game itself. *Flyff* is on Version 10 and *Rappelz* is in its fourth version now. In *Flyff* we save up most changes for a big release, whereas in *Rappelz* there is a constant flow of new quests and geographies but we bundle up the larger, structural changes and release those every six months or so. The focus here is noticing where we need big chunks of new content (endgame dungeons, for example) or where the core rules need an upgrade (a revamped pet system, or enabling player-vs-player combat). The designers dream up cool new things and work diligently to bring them to life.

***What was the biggest design challenge in making an episodic casual game?***

**Supple:** Well, the big one is this: You want each player to end the episode at the same place so that you can have some storyline continuity in the subsequent episodes, yet you are building an interactive game which implies choice on the part of the player. So, how do you bring those both together? One way would be to think of the episode as sort of an adventure game where you have to do things in a particular order: get this key to open that door, bring this object to that person to make him do something to the other person and so on. That was tempting but we wanted a much more open-ended player experience. So we created a collection of activities that you could do in any order and with more or less

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emphasis on one than the other, but that would advance you in the episode.

***What surprised you the most about what people enjoy in your world?***

**Supple:** I think I didn't realize how much people would just like making believe they are Arin working at a magazine. I think people really get into the simulation of being her and doing her job, flirting and fighting with Hugh, trying to impress Margot, their boss, and so on. People write to me about how much it's like real life. Of course, not their real life, but a life they are very attracted to. Next time, we'll either record more nice dialog or rejigger the game so nasty is rewarded, too. In fact, we added a game feature in a new release we did this past summer. We call it Perk Points. It is sort of like Achievements in Xbox 360 games. There are four categories—romance, bitchy, and so on. So, if you want to play the game nasty, for example, you can try to get a high Perk Point score. Sort of a consolation prize for that type of playing.

**Rocketon:** We're still in "closed" Alpha mode, but we can already see how sticky the site is. People are very involved. Our Alpha users are giving us lots of feedback and ideas.

**Zookazoo:** They're making up their own games, like hide-and-seek. Some get together there regularly.

**GALA:** I heard one Game Master ask, "Does anyone have time to do a wedding?"—meaning that one of our staff was needed to officiate an in-game wedding between two players. I personally thought it was hilarious. But you get used to things like this. We have to manage a bunch of things that hopefully players will never encounter, such as billing fraud (don't share your password!), the growth of money supply and inflation, and abusive behavior between players. But if we do these things and others, we'll create a safe and fun world for people to create their own adventures in.

***What do you think is the "secret sauce" of creating a compelling virtual world?***

**Rocketon:** I think it's no single thing. We're focused on creating an extensible platform that can grow with our users. The key to our system is flexibility. We'll be able to constantly add new games and see what takes off. The games that don't work, we'll quickly and quietly move to the background. The games that do work, we'll keep tweaking and improving. The "secret sauce" for us is flexibility and rapid game deployment.

**GALA:** Take care of your players! Listen to them, solve their problems quickly, respect them, and make sure you're giving great customer service. This may be the biggest change for game developers used to making a product and then taking a break post-ship. Launch is just the start!

**Zookazoo:** (For us it's giving the player) a good reason to come back.

**Supple:** First of all, you have to divide them up into single player and multiplayer. *Supple* is a single player virtual world with deep AI moving the non-player characters (NPCs). So, the "secret sauce" here I think is the AI—it has to feel like the NPCs are people. Also, in multiplayer worlds, a lot of the "game" is leveling up, but in *Supple* it's a virtual world with a real game in it. So, the game has to be compelling, as they say. And if you put the two together, you get great AI characters playing a compelling game with and against you. This is the magic combo that drives *Supple* and this is what people are responding to.

***What are your specific distribution and marketing challenges?***

**GALA:** Our games are available on all of the big download sites, so they're quite easy to get a hold of. We are our own portal, so we don't need to cut deals with other sites to reach the eventual players. We don't see much value in physical distribution: our players only play online anyways (we support a very little bit of single-player action, but even that is online), so why not take the 25% that retailers would have taken and plow that back into making a better game? Our biggest marketing challenges are just wanting more money to get the word out even further!

**Zookazoo:** I think it's mostly getting the word out from kid to kid more than anything else, so the site has to speak for itself.

**Rocketon:** The best marketing in the world cannot match a truly viral product. All of our effort is going into making a viral gaming system that markets itself. We're a startup, so we don't have the marketing power of EA or Disney. For us, it's all about the games and the experience the users have. ROCKETON will either spread like crazy by its very design, or it won't spread at all. Marketing and distribution will help, but it won't make or break us.

***How does advertising fit into your model?***

**Supple:** We currently are using Massive's dynamic advertising in the game, but we are planning on implementing sponsorship and product placement in future episodes. Shopping is an integral game activity in *Supple* and so it's a natural for some sort of product placement or sponsorship situation. In Episode 1, you must purchase better outfits to make it through the week, but it's a no-brainer to add designer brands in there. You also purchase gifts to sway the NPCs; these are currently made-up products, but these could be actual products, too.

**Rocketon:** We are including brands into the fabric of our world. We're trying to avoid blatant marketing like banner ads or annoying pop-ups. Instead, many of the actual objects in our world that people use will be branded in a way that makes them feel integral to the world.

**GALA:** I'm personally a huge fan of in-game advertising given my background at Massive, and there is tremendous potential in generating revenue from the sort of impressions, reach, and frequency generated by these kind of games. Most of GALA-Net's players enjoy fantasy environments where ads don't fit, but the challenge ahead is to convince the ad world that free-to-play non-traditional games are valuable media outlets, and not second-tier. The perception is that *Madden* and a *Transformers* movie tie-in are prestigious but a free game or one made on a smaller budget is less so. There is a huge value to be unlocked for whoever can package the reality of what we know is happening—lots of real people spending lots of media time—and open the spigots of ad dollars. It will happen soon.

**Zookazoo:** When we have made progress on helping kids learn to advocate, we want to partner with organizations that represent causes we think the kids should find of interest, whether its habitat preservation or animal rescue.

## Conclusion

So there you have it. There is something to satisfy every age, taste, and degrees of seperation one wants from their "real" life. One thing is for sure: a tsunami of virtual worlds is coming at us. So put on your penguin suit, grab your sword and shield, load up on PED or gPotatoes, and meet your buddies online. It's going to be BIG.

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Kevin Richardson (kevin.richardson@casualconnect.org) is a consultant in the entertainment business. Kevin was the Executive Producer over the *ClueFinders* series and numerous *Reader Rabbit* games while at The Learning Company/Mattel Interactive, and spearheaded outbound licensing for books, music, and television on a variety of brands. Before that, Kevin ran the German wing of the European Studio Grouping PALOMA, developing and localizing animated content for the German television market. He has produced over 30 "E" rated games, contributed to five feature films, and overseen animation production at home and abroad.

Jeff Siegel is in charge of Supple's game production and is currently president of JeffMedia Solutions, a company he founded to take advantage of the contacts and experience he has accumulated over two decades in interactive media. JeffMedia finds or creates gaming opportunities, comes up with creative and practical solutions, then contracts with the best team to execute. In addition to *Supple*, these games have ranged from traditional console entertainment, to downloadable games, to serious games for high school students, and on to advergames. Previously, Jeff was Vice President of Product Development for Viacom's Simon & Schuster Interactive division, where he published over 200 titles.

Steve Hoffman is the CEO of Rocketon. He is also a founding member of the Academy of Television's Interactive Media Group and Vice Chairman of the San Francisco Chapter of the Producers Guild of America. Prior to starting ROCKETON, he was the COO of Zannel, the first large-scale mobile instant media messaging platform. Before that, he was the North American Studio Head for Infospace, where he ran the U.S. mobile games publishing & development group. From 1998 - 2002, he was the Chairman & CEO of Spiderdance, Hollywood's leading interactive television studio, whose customers included NBC, Viacom, Time Warner, TBS, GSN and A&E.

Eric Hayashi is the VP of Product Development at Rocketon. He was formerly General Manager and Executive Producer at Vivendi Universal Games, where he ran two game studios: Impressions Games, known for cutting edge historical RTS games and sims; and Papyrus Racing Games Studio. While at Vivendi Univeral Games, he oversaw several key franchises, including *Leisure Suit Larry, Empire Earth, Nascar Racing, Lords of the Realms III, Caesar, SWAT,* and others. Before Vivendi, he was Executive Producer at Atari / Infogrames / Hasbro Interactive, where he pioneered the casual games genre with Hasbro's "crown-jewel" properties including *Monopoly, Scrabble, and The Game of Life.*

John Young is senior vice president of business development for Gala-Net, a publisher of online microtransaction-based games. Prior to joining Gala-Net, John was a senior director of business development with Massive Incorporated. He oversaw business development in North America and Asia for the venture capital-backed advertising-in-videogames company, which was acquired by Microsoft in 2006. Previously, John was a senior associate with Easton Hunt Capital Partners. Before that he founded and ran J. Walter Thompson's interactive business in Asia and created interactive marketing programs for clients including Citibank, Kodak, Hong Kong Telecom, the MTR and San Miguel Beer. John holds a Bachelor of Arts degree in Communication from Queen's University in Canada and a Master of Business Administration from Columbia Business School.

Dr. Michael Carter is Chief Playwright for Zoo-Kazoo where he designs and produces games. Prior to Zookazoo he was co-PI on a three-year ethnographic study of kids' informal learning and digital media and a managing editor for the John D. and Catherine T. MacArthur Foundation Series on Digital Media and Learning, just released by MIT Press. Over the years he has provided design, development, and strategic assistance to foundations, start-ups, universities, and corporations internationally. Throughout his career he has focused on applying technology to learning, including shaping the curriculum that Oxford, Stanford and Yale delivered to their alumni online, creating courses with faculty from leading business schools for corporate knowledge communities, designing and producing educational software for youth, and directing education research at Apple.

Special thanks to Karen Mason, Corporate Communications Manager of *Club Penguin.* And Wikipedia.

# Giving Voice to the Interactive Skill Games Industry

## An Introduction to the Interactive Skill Games Association

Harlan W. Goodson

The arrival of a newborn into a family is a cause for celebration and makes every parent proud. The recent birth of The Interactive Skill Games Association (ISGA) in August 2007 is no exception.

Many observers may question why the skill games community needs its own association and why its needs can't be met through the existing Casual Games Association (CGA).

In October 2006, the President of the United States signed the Unlawful Internet Gambling Enforcement Act of 2006 ("UIGEA" or "the Act") into law. The Act brought to an abrupt halt the US operations of illegal gambling sites and hit the online poker industry hard. At the same time, the Act's ambiguous language created confusion within the interactive games community at large.

The Act itself was characterized as "stealth legislation"—legislation signed into law without public debate or input. While the Act clearly stated that it was not intended to alter, limit, or extend any federal or state law, some believe the actual language of the Act might be interpreted differently.

Just how far the UIGEA reaches is unclear, but further clarity may be achieved through subsequent regulations and through guidance from the US Department of Treasury and the Board of Governors of the Federal Reserve System.

In the interim, the world's two largest skill games companies—King.com and Fun Technologies—believe this is an opportune time to give voice to an industry and establish ISGA.

ISGA membership is open to all "bona fide" skill games companies operating within North America. A skill game is a contest in which player intervention is decisive in determining the outcome; or in other words, the game is won by the person who plays most skillfully. Well-known skill games include chess and trivia quizzes. They also include competitions in popular casual games like Bejeweled, Scrabble Cubes and Tetris in which players compete against other players for cash and/or prizes.

Skill games have significant social value. Skill competitions like spelling bees have long been used to teach valuable skills to both children and adults.

There is also scientific support for the benefits of skill games. For example, a June, 2003 study published in the New England Journal of Medicine found a significantly lower cumulative risk of dementia for elderly persons who play skill games compared to those who do not. In another study, researchers at Case Western Reserve Medical School in Cleveland compared the leisure time activities of more than 500 people, nearly 200 of whom went on to develop Alzheimer's. The study found that "those who had engaged in stimulating activities throughout their life—everything from reading, doing crossword puzzles, and playing bridge, chess, or board games to visiting friends, practicing a musical instrument, and bicycling—were 2 ½ times less likely to get Alzheimer's."

Interactive skill games are played competitively between individuals, not against the "House" or a "bank", and so the operator has no incentive to make the games particularly hard, other than for the enjoyment of the player. Players typically participate in a community experience, competing with each other in small structured tournaments in which the winner wins the collective entry fees less a fixed fee which goes to the tournament host for hosting the game(s). Skill game operators act as impartial tournament hosts. They have no vested interest in the outcome of each competition.

Interactive skill games companies are growing quickly in number and size and include companies based in the United States as well as companies owned and operated by multinational corporations. Building and maintaining skill sites involves many highly skilled individuals. Typically these companies raise revenues by collecting a user fee which is generally very modest as competition tends to set pricing. The most common method of raising revenues is to invite persons to compete in a tournament or competition for a small fee (typically under a dollar) with a cash or merchandise prize going to the winner.

It was this possible uncertainty that led to the creation of the ISGA in the fall of 2007. The ISGA's primary objectives are to help shape the growth of the North American interactive skill games sector in compliance with federal and state law—and to promote public understanding of the sector.

To date, the ISGA was one of a handful of individuals and entities who provided written and/or oral testimony before the House Committee on the Judiciary at its November 14, 2007 hearing on "Establishing Consistent Enforcement Policies in the Context of Online Wagering."

The ISGA has also established a presence in Washington, DC and is actively working with Congressional staff to ensure that any prohibitions against online games specifically exclude the types of games and interactive models offered by its member entities. In addition to its presence at the federal level, ISGA intends to monitor and, when necessary, become involved in protecting its members' interests at the state and local levels.

One of the most important functions of ISGA will be to maintain open lines of communication with lawmakers and regulators alike. Education aimed at creating a bright line distinction between skill contests and games of chance is critical to the success of the interactive skill games community. To this end, the ISGA has been invited to present to regulators from across North America at the North American Gaming Regulators Association annual meeting to be held in the spring of 2008.

Now that skill games companies in North America finally have a voice through the ISGA, the challenge will be to ensure that we get heard. As part of our ongoing effort to represent the interests of all of our members, we look forward to hearing from you, welcoming you into our association and together raising our voice for the benefit of all.

For further information regarding ISGA membership, please visit www.onskill.org or contact Harlan Goodson directly at Harlan@hgoodsonlaw.com.

Harlan W. Goodson, President of the ISGA, is an attorney in Sacramento, California. He is the former Director of California's Division of Gambling Control and was the inaugural recipient of the "Regulator of the Year" award granted annually by the International Masters of Gaming Law. He has had his biography listed in Who's Who in the Law and is currently listed in Best Lawyers in America, in the practice area of Gaming Law. He is a member of the California Bar and the International Masters of Gaming Law.

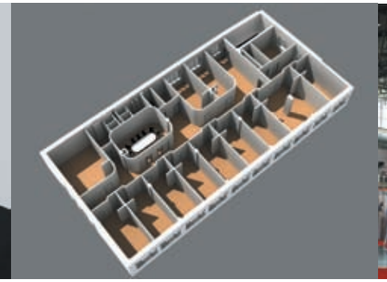
gamecity:Hamburg

# Hamburg welcomes you in 2009!

The gaming location Hamburg is booming – developments in recent years confirm. International companies like Bigpoint, Intenium, Codemasters, Eidos, or king.com are based in the Hanseatic city. With its outstanding infrastructure and related industrial sectors, such as multimedia, music, film, and advertising, Gamecity Hamburg is the hot spot for the gaming industry in Germany. Currently in Hamburg, more than 1,700 people in approximately 150 companies earn their living in the value chain of the gaming industry. Companies such as Flashpoint, DTP, or Fishlabs and the Internet portals AOL and Freenet have contributed to Hamburg developing a national reputation as Gamecity.

The basic conditions in Hamburg are ideal: the city is unique among the leading German media centres in developing the project Gamecity Hamburg, an extensive package of measures to promote the gaming industry. Hamburg links the national and international gaming industry and is your host for the next Casual Connect in 2009!

Managing Directors
Gamecity Hamburg
Stefan Klein and Achim Quinke



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for Start-Ups
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Umbrella booth
Gamecity Hamburg at
Games Convention Leipzig

Uwe Jens Neumann
(CEO Hamburg@work)
in conversation with Achim Quinke

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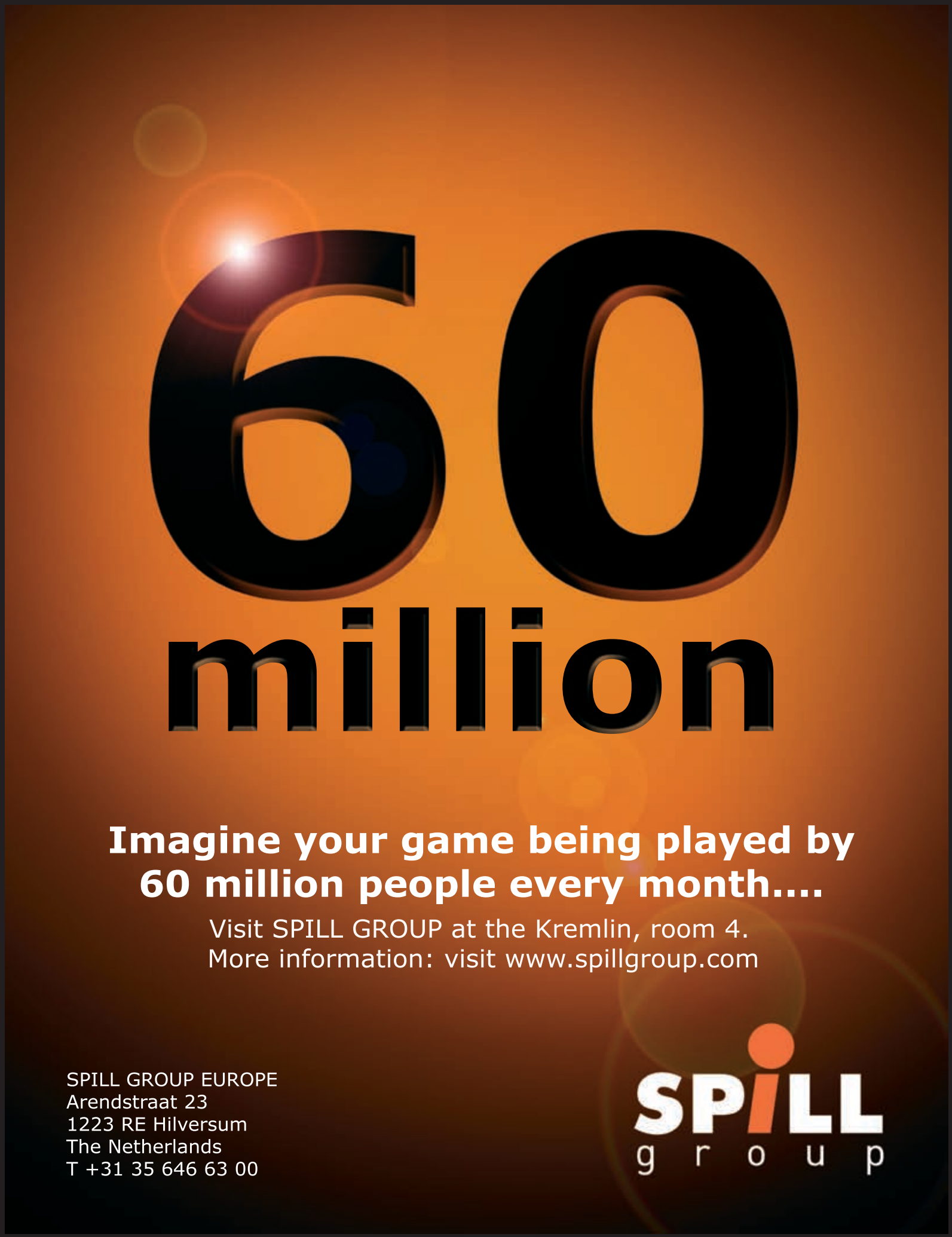
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